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## **Rochester Hotel and Conference Center Rochester, New Hampshire**

Market Study and Financial Projections

### **Submitted to:**

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- II. Construction Pipeline
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## 1. EXECUTIVE SUMMARY

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### 1.1. Introduction and Scope

In May 2015, the City of Rochester, New Hampshire (“City”) engaged Pompan Hospitality Global, Inc. (“PHG”) to complete a market demand study to analyze the viability of a hotel/conference center project in the City of Rochester to support the business and social needs of the community (“Study”). The purpose of the Study is to fully evaluate the suitability of the location, assess the competitive environment, identify potential customers, establish expected rates and occupancies, project revenues, operating expenses and gross operating profits and recommend a space utilization program for guestrooms, meeting space, public areas and back-of-house areas.

This report presents a narrative of the Study’s findings and conclusions including:

- ▶ An assessment of the current local competitive supply (Rochester and the neighboring communities) as well as, other regional locations with substantial conference facilities;
- ▶ Results of an online survey, concentrating on customer buying habits and preferences, frequency, size and locations of meetings and the appetite for and design of a new hotel conference center meeting venue in Rochester;
- ▶ Identification and profile of current and potential Demand Generators with meeting business volumes, preferred venues, meetings spend, meeting type, season and history;
- ▶ A list of customers developed by PHG research with contact information and approximate business potential;
- ▶ A set of recommendations for the design of the hotel with quantity of guestrooms, quantity and size of meeting rooms, features and amenities to include food and beverage services, business services, casual meeting areas, retail and back-of-the house requirements, etc.;
- ▶ Projection of revenues with Average Daily Rates (ADR), Occupancy, Food and Beverage and Ancillary revenues and associated departmental expenses based on market and industry standards.

### 1.2. Methodology

We approached this project under the assumption that adding a full service hotel and conference center in the Rochester market would be a value to the City and have market demand so that a positive financial performance would be achieved. We knew prior to our research the following:

- ▶ There is one branded, limited service hotel currently in Rochester, along with a few smaller non-branded, locally owned and operated hotels;
- ▶ There are very few locations to hold conferences or social events in the immediate market;
- ▶ The largest event spaces in the region are in Portsmouth, Concord and Manchester, NH, all within a 30-45 minute drive from Rochester;
- ▶ The Rochester Economic Development Commission (REDC) has been actively pursuing a wide range of companies to fill their industrial parks and support its revitalize efforts in the downtown business district;
- ▶ Manufacturing is the major industry in the market and thus impacts the hotel occupancy for the City.

Our research focused on proving or disproving our initial assumption by understanding the market demands and identifying demand generators that would consider the subject property for its future meeting, social and transient business needs.

Our conclusions and findings rely upon primary and secondary research, which included but was not limited to conversations with representatives from the competitive hotel set in the area, customers, local government officials and others familiar with the lodging and meeting demand in the Rochester market and throughout the state of New Hampshire. This data assisted in determining the potential lodging and meeting demand for a new hotel and conference center. Secondary research sources are noted throughout the Study where applicable.

We inspected the proposed sites and the surrounding area to determine which site was most suitable for the development of the hotel conference center as envisioned. We examined such factors as general aesthetics, the supportive nature of the local neighborhood, and access to the area.

We conducted a full analysis of the current local competitive supply. We analyzed the strengths, weaknesses, opportunities and threats of the potential competition from a customer's perspective to understand what is currently being offered to the transient and meeting markets. We evaluated what current and potential future needs are being fulfilled.

Based on the insights gained from customer input and industry best practices, we developed an overall design for a new hotel. We reviewed the proposed features and functionality to determine its suitability for meeting the market's needs and forecasted the financial performance for the asset.

Finally, and perhaps most importantly, we conducted interviews with top local and regional demand generators to assess their potential business levels and their desire, need and potential use of a new full service hotel conference center in the market.

### **1.3. Major Assumptions**

The findings, conclusions and recommendations in this report are based in part on the following major assumptions:

- ▶ The property, to be located at a favorable site in Rochester, will be built and fully operational by January 2017;
- ▶ The owner of the land of the selected site will be willing to develop a hotel facility;
- ▶ The City views the construction of this hotel as a preliminary step in a larger city development plan;
- ▶ That organizations in the state of New Hampshire will drive 90% of the business; feeder markets from other cities within the state will have little to no impact on performance;
- ▶ The property will be designed as a limited service hotel;
- ▶ The property will have approximately 6,000 net sq. ft. of banquet and meeting space including a large ballroom-style event space;

- ▶ Our financial projections are based on a 100 guest room inventory;
- ▶ The City will continue to develop the industrial business parks and attract the manufacturing industry, which will drive corporate demand into the foreseeable future;
- ▶ The hotel will be professionally managed and supported by a fully qualified, reputable management company;
- ▶ Group (meeting) demand is based on a 44-week year and a four day week;
- ▶ The sales and marketing team will be in place at least six months prior to opening – fully selling and marketing the hotel facility;
- ▶ The hotel management company will hire and provide training to ensure an experienced and strong hotel sales and operations team providing an excellent product and service to effectively compete in the Rochester and New Hampshire established markets;
- ▶ The property will be branded and take full advantage of the marketing programs of the subject hotel's brand and stay compliant with the subject hotel's brand standards;
- ▶ There will be no other changes (additions or closures) to the competitive supply of hotel accommodations other than what is described in this report; and,
- ▶ There will be no significant geopolitical or other disruptions to the economy of the county or state during the term of the projections contained herein.

#### **1.4 Summary of Findings**

Based on the information collected during our market research, customer interviews and subsequent analysis, it is our opinion that based on the current state of the market a small, branded, limited service property with minimal meeting and event space will be a viable operation for the market. Upon completion, the property would provide the City of Rochester and Strafford County additional hotel rooms to support the increased traffic traveling through the area. A quality branded hotel would accommodate the needs for the growing transient market from social events and special festivals to be developed by the City.

Rochester is located with convenient access and minimal drive times between Concord, Portsmouth and Manchester. The area is looked at as a location for economic development due to its location and land availability. The City's accessibility positions it as a favorable location to attract state association conferences, as well as industries desiring a central location to bring people together from around the region.

We believe the ideal select service hotel will have a recognizable brand and contain 100 guest rooms and 6,000 sq. ft. of meeting and event space, including a banquet room of no less than 4,000 sq. ft. The property should include a food and beverage program; full service restaurant with a kitchen to support the needs of individual guests as well as banquet and meeting requirements. If the state of the market changes over the next 5-10 years, a new review could be warranted to evaluate either additional hotels or an expansion of the existing hotel structure.

Based on our review of the demographics and economic indicators of the region, the City is diligently working to change the market conditions. The City of Rochester is the only market in New

Hampshire that has full economic development funding. With this investment, it is essential to move forward with a full branding campaign to market the assets the City has to offer. Over the last ten years, the City has made it a goal to make Rochester a destination for business and has grown its Economic Development Commission team from one to four staff members. The redevelopment of the eight industrial parks, especially the former Cabletron campus, has been helpful in lowering industry vacancy rates. The Granite Ridge Development, “The Ridge Marketplace“, has over two million sq. ft. of retail, hospitality and office space and is being positioned as a shopping destination. This may attract day visitors to the market but it is unclear how far people will drive to shop and thus need hotel accommodations. Other manufacturing companies are being attracted to the industrial parks. The expansion of these parks would provide additional potential business for a hotel facility. CBRE reports that the Rochester industrial market has an 8.2% vacancy rate, which is slightly below the Seacoast/I-95 rate of 9.0%. The Rochester office market has a 32.0% vacancy rate as compared to the Seacoast/I-95 market of 11.1%. Markets like Rochester are predicted to become more desirable as the Seacoast markets will have fewer inventories available and become more expensive.

To best take advantage of the market and be a desirable location for office employment and industry development, the City of Rochester must continue to improve the image of the city as a destination market. The deployment of Main Street to promote the downtown area and cultivate festivals and other events to draw people to the area has and will help. The development of arts and cultural events using the Opera House and Fair Grounds will continue to broaden the demographics experience in the city.

In our customer interviews, we heard of concerns about the current perception of the City of Rochester and its viability of being a meeting and social destination. An often mentioned comment was the lack of quality restaurants to provide good, consistent food and service. With only a couple of chain restaurants in the market, the visiting consumer is not aware of the most desirable places to dine. While locally operated establishments help to create the local flavor of the market, chain restaurants provide uninformed visitors a comfort level for their dining experience.

A second comment was the perception of the downtown area. With the design of the streets and signage, the navigation through downtown is not comfortable for the unfamiliar traveler. In addition, the condition of some of the older buildings and the subsidized housing neighborhoods create a perception about downtown being as unsafe environment after hours.

The City of Rochester is fortunate to have multiple site options for a new hotel within the city limits. We believe the site located at 400 North Main Street is best suited to support a new hotel project. The site is well positioned, as it is located at a convenient Spaulding Turnpike exit, with easy access to multiple points within the City of Rochester. This location provides very good visibility and easy access for visitors as they drive through Strafford County. Located at the Spaulding Turnpike Exit 15, there is easy access to the site as well as to the downtown district, Opera House, Fair Grounds, The Ridge Marketplace and continuation to other points in New Hampshire. A visitor would be able to

see the property from the highway, which provides additional comfort for those that are not familiar with the market, but also allows the property to attract travelers who make last minute decisions about where to stay.

The size of the site provides a developer with the flexibility to create various layouts as well as options on additional amenities in supporting a hotel. The development of a chain restaurant on the site would be an additional attraction for transient hotel business. With the close proximity, the hotel and restaurant would be able to develop a partnership to support the food and beverage needs of the hotel guests. Other amenities such as retail shopping or a gas station would bring additional traffic to the site. The site can also support surface parking or a parking garage.

Our research and understanding of the hotels and conference facilities located in the surrounding area revealed that there is not the volume of meeting demand generators necessary to support a large conference facility in Rochester. A review of the area hotels shows that the many products available are limited and select service facilities.

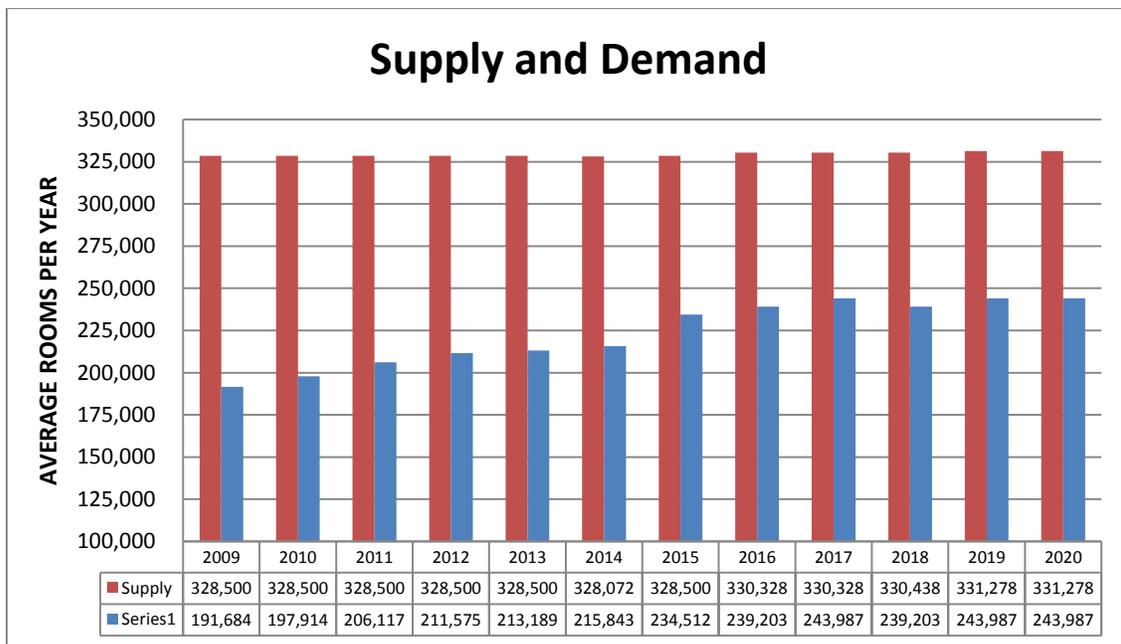
		Property	CITY	Guest Rooms	Meeting Rooms	Total NET SF Mtg Space	Ballroom Size	SqFt/GR	Year Opened	Owner	Operator
REGIONAL- LOCAL SET STAR REPORT SET		Sheraton Harborside	Portsmouth	201	15	13,500	3,745	67.2	1988	Harborside Associates	Starwoods
		Marriott Wentworth by the Sea	New Castle	161	12	10,000	3744	62.1	2003	Ocean Properties	Marriott
		Courtyard, Grappone Conference Center	Concord	90	12	24,250	6550	269.4	2000	Steven Duprey	Duprey Hospitality
		Concord Holiday Inn Downtown	Concord	122	5	5,284	3,484	43.3	1985	Tsuis Holding	Chartwell Hotels
		Radisson Hotel Manchester Downtown	Manchester	250	18	65,000	29,480	260.0	1987	JPA III Management Company	JPA III Management Company
		Governor's Inn	Rochester	20	8	6,500	2,600	NA	1992	Anthony Ejarque	Anthony Ejarque
		Holiday Inn Express	Rochester	77	1	168	NA	NA	2007	Kevin Bowdun	Rochester Hospitality
OTHER COMPETITORS FOR GROUP		Portsmouth Harbor Event and CC	Portsmouth	NA	2	4,600	3,791	NA	2010	Colwen Hotels	Colwen Hotels
		Courtyard by Marriott Hotel Portsmouth	Portsmouth	133	1	1,452	1452	10.9	2012	Colwen Hotels	Colwen Hotels
		Hilton Garden Inn	Portsmouth	131	2	1,430	1,430	10.9	2006	Colwen Hotels	Colwen Hotels
		Mill Falls Meredith	Meredith	171	21	12,500	3220	73.0	1985	Rusty McLearn	Mills Falls
		Courtyard by Marriott	Nashua	245	12	10,000	4,968	40.8	1995	Roedel Companies	Roedel Hospitality
		Crowne Plaza	Nashua	230	12	11,500	5,200	50.0	1987	SAM Hospitality	SAM Hospitality
		Homewood Suites	Dover	88	1	420	NA	NA	2007	Lafrance Hospitality	Lafrance Hospitality
		Hampton Inn	Dover	93	2	748	NA	NA	2008	Jamson Management, Lexington MA	Jamson Management, Lexington MA

With regards to hotel facilities in the immediate market, there are only two within the city limits. The Holiday Inn Express is a limited service property that has been well received and well maintained since opening eight years ago. The property has 77 guest rooms with no meeting space. The property shared with us that they receive multiple requests for small meetings each week that they are not able to satisfy. Although the Holiday Inn is the only branded hotel in the City of Rochester, they currently have a relatively low running 12-month occupancy rate of 64.9% (102.2 Index), ADR of \$99.92 (93.5 Index) and RevPAR (Revenue Per Available Room) of \$64.87 (95.5 Index). An index over 100 indicates the property is receiving a greater share of the market than its competitors. While the Holiday Inn Express is receiving a higher occupancy than the rest of their competitors and rates slightly below, the property is operating at a level that barely enables it to break even.

The Governor's Inn is the other hotel facility in Rochester. The property is locally owned and operated with 20 guest rooms and 6,500 sq. ft. of meeting and event space. The largest room (2,600

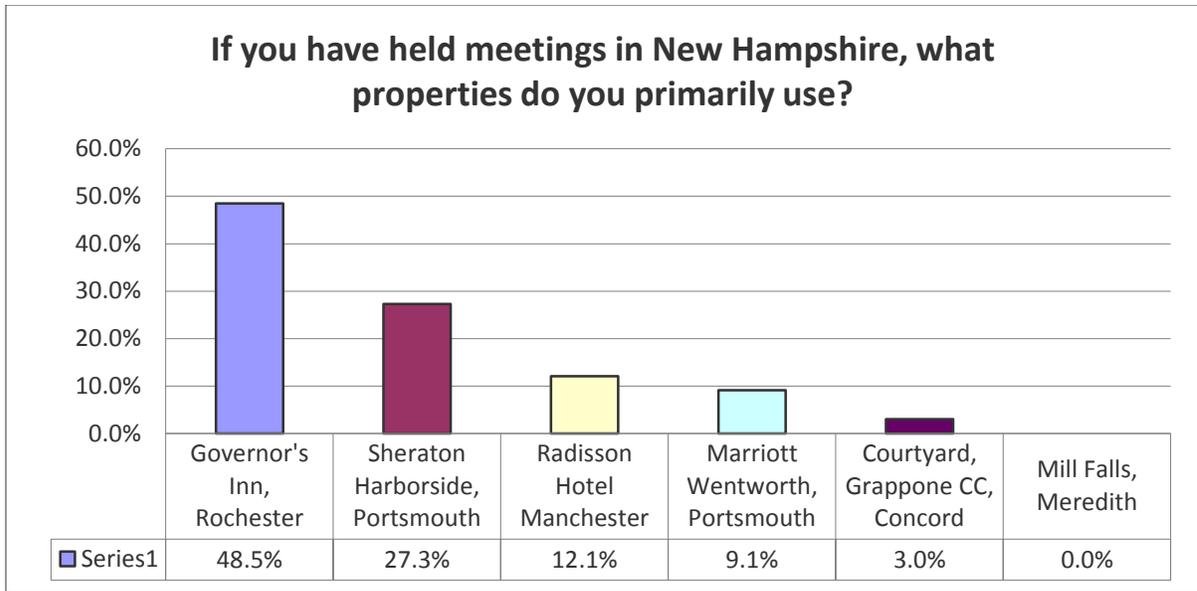
sq. ft.) is able to accommodate 175 people for a sit-down banquet. The property has a strong partnership with the Opera House to support local events. The owner shared with us that when the Holiday Inn Express opened their property’s occupancy dropped to 20%. Although well situated in downtown Rochester, the property has a small guest room inventory and has not been able to consistently support the meeting and events for the market.

Over the past seven years, the hotel market for the region has remained flat in supply of hotel rooms, while demand has had a small, steady increase. Since 2009, there has been a consistent 328,500 rooms in the market, while the room demand has increased by 42,828 room nights. This growth has created a current 12-month running occupancy for the market at 62.7%. Additional supply has been slow to be developed due to the low demand changes in the market.

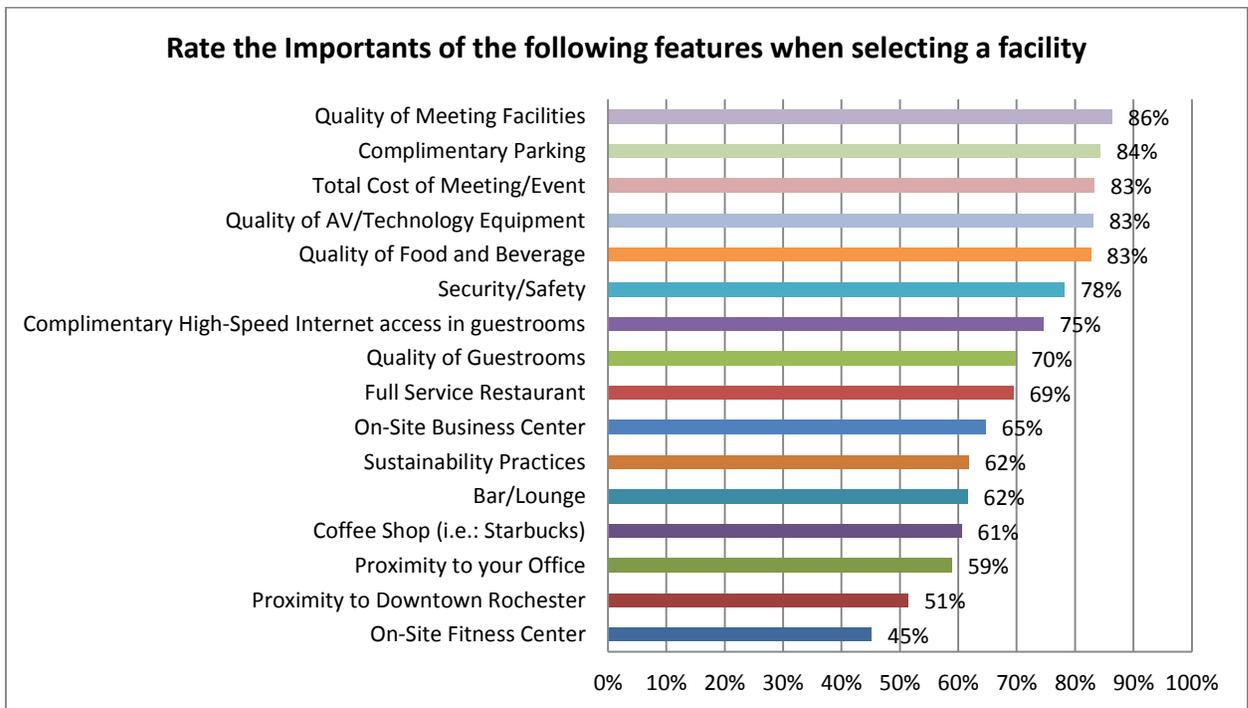


In the current state of the market, the primary generator for a new hotel would be transient and SMERF (Social/Military/Educational/Religion/Fraternity) /social business. With the growth of festivals and city events, along with The Ridge Marketplace complex, individual travelers and families would be most interested in having a clean, comfortable place to stay. During our customer interviews we heard about the need for event space to conduct social banquet events, primarily on weekends, however this would not generate enough volume to create the revenues necessary to make the property financially successful. Hotel rooms during the week typically obtain higher rates, which drives the profitability of a facility. Attracting the limited demand for the corporate traveler and weekday meeting business will be a key determining factor for the property’s success.

Our online survey revealed that a number of Rochester businesses use the Governor’s Inn because it is the only facility in the market large enough to handle their needs. Other businesses that have the budget to support their needs have used facilities outside of Rochester.



When selecting a property, the factors that are most important to meeting planners were the quality of meeting facilities (86%), complimentary parking (84%), and total cost of meeting/event, quality of AV/Technology and quality of food and beverage (all at 83%) followed closely by security/safety and complimentary high-speed Internet access; 78% and 75% respectively.



The customer interviews supported the information gathered in the online survey. Many customers did not perceive Rochester as a destination for their meeting needs. The customer comments from the interviews can be summarized into three major points:

- a. A need for day meetings but a lack of overnight meetings in the market
- b. A lack of available and affordable meeting and event facilities in Rochester
- c. A lack of quality and consistent service in hospitality venues and amenities in Rochester

Detailed information can be found in section 5.3 of this report.

Our initial assumptions were based on developing a full-service meeting hotel. As a result of this assumption we used a competitive set that was similar in scope and purpose. As our research progressed it became clear that such a hotel was not viable, and we moved our thinking toward a limited service hotel with meeting space. As a result we were not able to use the competitive set data as a basis to project future occupancy and average daily rate of the subject hotel. Below are two tables: the first table projects future performance in the competitive set used for our analysis, the second table has been adjusted to reflect Rochester market conditions.

The competitive set projects are higher because they include performance from large Portsmouth and Concord hotels. These properties are not reflective of the volume of business or rates that can be expected in Rochester.

Estimated Future Performance of the Competitive Set Supply									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2017	331,268	NA	239,226	NA	72.2%	\$ 133.61	NA	\$ 96.49	NA
2018	331,268	0.0%	244,011	2.0%	73.7%	\$ 134.95	1.0%	\$ 99.40	3.0%
2019	331,268	0.0%	246,451	1.0%	74.4%	\$ 136.30	1.0%	\$ 101.40	2.0%
2020	331,268	0.0%	246,451	0.0%	74.4%	\$ 136.30	0.0%	\$ 101.40	0.0%
2021	331,268	0.0%	246,451	0.0%	74.4%	\$ 136.30	0.0%	\$ 101.40	0.0%

Source: Smith Travel Research

Estimated Future Performance of the Subject Hotel									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2017	36,500	N/A	22,163	N/A	60.7%	\$ 117.62	N/A	\$ 71.42	N/A
2018	36,500	0.0%	23,609	6.5%	64.7%	\$ 122.04	3.8%	\$ 78.94	10.5%
2019	36,500	0.0%	25,010	5.9%	68.5%	\$ 126.00	3.2%	\$ 86.34	9.4%
2020	36,500	0.0%	25,010	0.0%	68.5%	\$ 126.00	0.0%	\$ 86.34	0.0%
2021	36,500	0.0%	25,010	0.0%	68.5%	\$ 126.00	0.0%	\$ 86.34	0.0%

Source: Smith Travel Research

While we recommend that a limited size, select service property be developed, there are a few options that can be considered in the development to help with the property’s success:

- 1) **A hotel partnership with a restaurant or catering company.** A branded limited service property will typically have facilities to support a limited breakfast offering for the guests. With meeting and event space of 6,000 sq. ft., food and beverage service for meals and refreshment breaks will be required. To build a full-service kitchen will add substantial costs to the development of

the property. To keep costs in line and properly serve meetings and events, the operator can develop a partnership with a local restaurant or catering company to be the preferred provider of food and beverage service to their guests. Space for a small prep or holding kitchen would need to be allocated in the hotel design but at a much lower cost than developing a full kitchen. If the property partners with a restaurant in close proximity to the hotel, room service can also become a service offering to the hotel guests and adding to the value of staying at the property.

- 2) **Lease the restaurant space to a chain restaurant company.** A variation to the first option is to lease out space within the facility to a known restaurant operator or chain to manage the food and beverage program. The cost savings benefits would be the same as the first option with the additional benefit of not having the hotel guests leave the facility for meals, especially during inclement weather. This is being set up in a number of limited and full-service hotels as a viable option. The main concern is that the property's reputation is tied with an outside entity, so therefore the quality of the operator should be fully vetted.
- 3) **Design of the hotel includes possible future expansion.** With the uncertainty of the current market and the possibilities of future growth in the industrial parks, the property can be designed as a smaller entity initially with the ability to add guest rooms and/or additional meeting and event space based on demand and success of the original design. If a developer considers possible growth of the facility in the future, a design with proper configuration and infrastructure can expand at more reasonable construction costs. This design would allow an owner to open a new facility to the market with a lower cost and be more financially successful upfront. Once established in the market with a quality product and service, this reputation can be leveraged to support an expansion to create more of a destination property.

Rochester has taken many steps in helping to establish itself as the next location for business and visitors. However, the hotel demand has not yet reached a point where a developer would build a full-service hotel and conference center. Most hotel developers will not take the "build it and they will come" approach. They want to see a significant growth pattern in demand prior to making a larger commitment. The ability to take a step with a smaller, select service property can help with the city's image, provide an additional hospitality venue for the market and promote Rochester as it continues to grow and be a location for business and tourism.

Based on the market analysis of the supply and demand, PHG has projected the financial performance for the first five years of operation.

**ROCHESTER SUBJECT**

Statistics		2017				2018				2019				2020				2021			
Rooms		100				100				100				100				100			
Available Rooms		36,500				36,500				36,500				36,600				36,500			
Occupied Rooms		22,224				23,609				25,010				25,010				25,010			
OCC %		60.9%				64.7%				68.5%				68.3%				68.5%			
Average Rate		117.62				122.04				126.00				126.00				126.00			
RevPAR		71.62				78.94				86.34				86.10				86.34			
Revenue		Amount	Ratio	Per Room	POR	Amount	Ratio	Per Room	POR	Amount	Ratio	Per Room	POR	Amount	Ratio	Per Room	POR	Amount	Ratio	Per Room	POR
Rooms	\$	2,613,939	77.6%	\$ 26,139	\$ 117.62	\$ 2,812,332	77.0%	\$ 28,123	\$ 119.12	\$ 3,076,063	76.5%	\$ 30,761	\$ 122.99	\$ 3,076,063	75.8%	\$ 30,761	\$ 122.99	\$ 3,076,063	71.7%	\$ 30,761	\$ 122.99
Food & Beverage	\$	592,051	17.6%	\$ 5,921	\$ 26.64	\$ 645,968	17.7%	\$ 6,460	\$ 27.36	\$ 718,627	17.9%	\$ 7,186	\$ 28.73	\$ 740,824	18.3%	\$ 7,408	\$ 29.62	\$ 966,516	22.5%	\$ 9,665	\$ 38.65
Conference Services	\$	114,155	3.4%	\$ 1,142	\$ 5.14	\$ 140,585	3.8%	\$ 1,406	\$ 5.95	\$ 168,341	4.2%	\$ 1,683	\$ 6.73	\$ 172,796	4.3%	\$ 1,728	\$ 6.91	\$ 177,385	4.1%	\$ 1,774	\$ 7.09
Minor Operating Depts.	\$	50,000	1.5%	\$ 500	\$ 2.25	\$ 55,000	1.5%	\$ 550	\$ 2.33	\$ 60,500	1.5%	\$ 605	\$ 2.42	\$ 66,550	1.6%	\$ 666	\$ 30.00	\$ 73,205	1.7%	\$ 732	\$ 30.00
<b>Total Revenue</b>	<b>\$</b>	<b>3,370,145</b>	<b>100.0%</b>	<b>\$ 33,701</b>	<b>\$ 151.64</b>	<b>\$ 3,653,885</b>	<b>100.0%</b>	<b>\$ 36,539</b>	<b>\$ 154.77</b>	<b>\$ 4,023,531</b>	<b>100.0%</b>	<b>\$ 40,235</b>	<b>\$ 160.88</b>	<b>\$ 4,056,233</b>	<b>100.0%</b>	<b>\$ 40,562</b>	<b>\$ 162.19</b>	<b>\$ 4,293,168</b>	<b>100.0%</b>	<b>\$ 42,932</b>	<b>\$ 171.66</b>
Departmental Expenses		Amount	Ratio	Per Room	POR	Amount	Ratio	Per Room	POR	Amount	Ratio	Per Room	POR	Amount	Ratio	Per Room	POR	Amount	Ratio	Per Room	POR
Rooms	\$	635,187	24.3%	\$ 6,352	\$ 28.58	\$ 674,960	24.0%	\$ 6,750	\$ 28.59	\$ 707,494	23.0%	\$ 7,075	\$ 28.29	\$ 707,494	23.0%	\$ 7,075	\$ 28.29	\$ 707,494	23.0%	\$ 7,075	\$ 28.29
Food & Beverage	\$	387,794	65.5%	\$ 3,878	\$ 17.45	\$ 423,109	65.5%	\$ 4,231	\$ 17.92	\$ 470,701	65.5%	\$ 4,707	\$ 18.82	\$ 485,240	65.5%	\$ 4,852	\$ 19.40	\$ 633,068	65.5%	\$ 6,331	\$ 25.31
Conference Services	\$	34,637	30.3%	\$ 346	\$ 1.56	\$ 38,226	27.2%	\$ 382	\$ 1.62	\$ 41,950	24.9%	\$ 420	\$ 1.68	\$ 43,506	25.2%	\$ 435	\$ 1.74	\$ 45,136	25.4%	\$ 451	\$ 1.80
Minor Operating Depts.	\$	31,750	63.5%	\$ 318	\$ 1.43	\$ 34,925	63.5%	\$ 349	\$ 1.48	\$ 38,418	63.5%	\$ 384	\$ 1.54	\$ 42,259	63.5%	\$ 423	\$ 1.69	\$ 46,485	63.5%	\$ 465	\$ 1.86
<b>Total Expenses</b>	<b>\$</b>	<b>1,089,368</b>	<b>32.3%</b>	<b>\$ 10,894</b>	<b>\$ 49.02</b>	<b>\$ 1,171,220</b>	<b>32.1%</b>	<b>\$ 11,712</b>	<b>\$ 49.61</b>	<b>\$ 1,258,563</b>	<b>31.3%</b>	<b>\$ 12,586</b>	<b>\$ 50.32</b>	<b>\$ 1,278,500</b>	<b>31.5%</b>	<b>\$ 12,785</b>	<b>\$ 51.12</b>	<b>\$ 1,432,183</b>	<b>33.4%</b>	<b>\$ 14,322</b>	<b>\$ 57.26</b>
<b>Departmental Profit</b>	<b>\$</b>	<b>2,280,777</b>	<b>67.7%</b>	<b>\$ 22,808</b>	<b>\$ 102.63</b>	<b>\$ 2,482,665</b>	<b>67.9%</b>	<b>\$ 24,827</b>	<b>\$ 105.16</b>	<b>\$ 2,764,969</b>	<b>68.7%</b>	<b>\$ 27,650</b>	<b>\$ 110.56</b>	<b>\$ 2,777,733</b>	<b>68.5%</b>	<b>\$ 27,777</b>	<b>\$ 111.07</b>	<b>\$ 2,860,986</b>	<b>66.6%</b>	<b>\$ 28,610</b>	<b>\$ 114.39</b>
Undistributed Expenses		Amount	Ratio	Per Room	POR	Amount	Ratio	Per Room	POR	Amount	Ratio	Per Room	POR	Amount	Ratio	Per Room	POR	Amount	Ratio	Per Room	POR
A&G	\$	272,982	8.1%	\$ 2,730	\$ 12.28	\$ 295,965	8.1%	\$ 2,960	\$ 12.54	\$ 325,906	8.1%	\$ 3,259	\$ 13.03	\$ 328,555	8.1%	\$ 3,357	\$ 13.14	\$ 347,747	8.1%	\$ 3,458	\$ 13.90
Sales & Marketing	\$	397,677	11.8%	\$ 3,977	\$ 17.89	\$ 431,158	11.8%	\$ 4,312	\$ 18.26	\$ 474,777	11.8%	\$ 4,748	\$ 18.98	\$ 478,636	11.8%	\$ 4,890	\$ 19.14	\$ 506,594	11.8%	\$ 5,037	\$ 20.26
Property Operations	\$	148,286	4.4%	\$ 1,483	\$ 6.67	\$ 160,771	4.4%	\$ 1,608	\$ 6.81	\$ 177,035	4.4%	\$ 1,770	\$ 7.08	\$ 178,474	4.4%	\$ 1,823	\$ 7.14	\$ 188,899	4.4%	\$ 1,878	\$ 7.55
Utilities	\$	138,176	4.1%	\$ 1,382	\$ 6.22	\$ 149,809	4.1%	\$ 1,498	\$ 6.35	\$ 164,965	4.1%	\$ 1,650	\$ 6.60	\$ 166,306	4.1%	\$ 1,699	\$ 6.65	\$ 176,020	4.1%	\$ 1,575	\$ 7.04
<b>Total Undistributed</b>	<b>\$</b>	<b>957,121</b>	<b>28.4%</b>	<b>\$ 9,571</b>	<b>\$ 43.07</b>	<b>\$ 1,037,703</b>	<b>28.4%</b>	<b>\$ 10,377</b>	<b>\$ 43.95</b>	<b>\$ 1,142,683</b>	<b>28.4%</b>	<b>\$ 11,427</b>	<b>\$ 45.69</b>	<b>\$ 1,151,970</b>	<b>28.4%</b>	<b>\$ 11,520</b>	<b>\$ 46.06</b>	<b>\$ 1,219,260</b>	<b>28.4%</b>	<b>\$ 12,193</b>	<b>\$ 48.75</b>
<b>Gross Operating Profit</b>	<b>\$</b>	<b>1,323,656</b>	<b>39.3%</b>	<b>\$ 13,237</b>	<b>\$ 59.56</b>	<b>\$ 1,444,962</b>	<b>39.5%</b>	<b>\$ 14,450</b>	<b>\$ 61.20</b>	<b>\$ 1,622,286</b>	<b>40.3%</b>	<b>\$ 16,223</b>	<b>\$ 64.87</b>	<b>\$ 1,625,763</b>	<b>40.1%</b>	<b>\$ 16,258</b>	<b>\$ 65.01</b>	<b>\$ 1,641,726</b>	<b>38.2%</b>	<b>\$ 16,417</b>	<b>\$ 65.64</b>
<b>Base Management Fee</b>	<b>\$</b>	<b>90,994</b>	<b>2.7%</b>	<b>\$ 910</b>	<b>\$ 4.09</b>	<b>\$ 98,655</b>	<b>2.7%</b>	<b>\$ 987</b>	<b>\$ 4.18</b>	<b>\$ 108,635</b>	<b>2.7%</b>	<b>\$ 1,086</b>	<b>\$ 4.34</b>	<b>\$ 109,518</b>	<b>2.7%</b>	<b>\$ 1,095</b>	<b>\$ 4.38</b>	<b>\$ 115,916</b>	<b>2.7%</b>	<b>\$ 1,159</b>	<b>\$ 4.63</b>
Fixed Expenses		Amount	Ratio	Per Room	POR	Amount	Ratio	Per Room	POR	Amount	Ratio	Per Room	POR	Amount	Ratio	Per Room	POR	Amount	Ratio	Per Room	POR
Property Taxes	\$	80,883	2.4%	\$ 809	\$ 3.64	\$ 87,693	2.4%	\$ 877	\$ 3.71	\$ 96,565	2.4%	\$ 966	\$ 3.86	\$ 97,350	2.4%	\$ 995	\$ 3.89	\$ 103,036	2.4%	\$ 1,024	\$ 4.12
Insurance	\$	23,591	0.7%	\$ 236	\$ 1.06	\$ 25,577	0.7%	\$ 256	\$ 1.08	\$ 28,165	0.7%	\$ 282	\$ 1.13	\$ 28,394	0.7%	\$ 282	\$ 1.14	\$ 30,052	0.7%	\$ 300	\$ 1.20
<b>Total Undistributed</b>	<b>\$</b>	<b>104,475</b>	<b>3.1%</b>	<b>\$ 1,045</b>	<b>\$ 4.70</b>	<b>\$ 113,270</b>	<b>3.1%</b>	<b>\$ 1,133</b>	<b>\$ 4.80</b>	<b>\$ 124,729</b>	<b>3.1%</b>	<b>\$ 1,247</b>	<b>\$ 4.99</b>	<b>\$ 125,743</b>	<b>3.1%</b>	<b>\$ 1,257</b>	<b>\$ 5.03</b>	<b>\$ 133,088</b>	<b>3.1%</b>	<b>\$ 1,331</b>	<b>\$ 5.32</b>
<b>Net Operating Income</b>	<b>\$</b>	<b>1,128,187</b>	<b>33.5%</b>	<b>\$ 11,282</b>	<b>\$ 50.76</b>	<b>\$ 1,233,036</b>	<b>33.7%</b>	<b>\$ 12,330</b>	<b>\$ 52.23</b>	<b>\$ 1,388,921</b>	<b>34.5%</b>	<b>\$ 13,889</b>	<b>\$ 55.54</b>	<b>\$ 1,390,502</b>	<b>34.3%</b>	<b>\$ 13,905</b>	<b>\$ 55.60</b>	<b>\$ 1,392,722</b>	<b>32.4%</b>	<b>\$ 13,927</b>	<b>\$ 55.69</b>
<b>FF&amp;E Reserve</b>	<b>\$</b>	<b>33,701</b>	<b>1.0%</b>	<b>\$ 337</b>	<b>\$ 1.52</b>	<b>\$ 73,078</b>	<b>2.0%</b>	<b>\$ 731</b>	<b>\$ 3.10</b>	<b>\$ 120,706</b>	<b>3.0%</b>	<b>\$ 1,207</b>	<b>\$ 4.83</b>	<b>\$ 121,687</b>	<b>3.0%</b>	<b>\$ 1,217</b>	<b>\$ 4.87</b>	<b>\$ 128,795</b>	<b>3.0%</b>	<b>\$ 1,288</b>	<b>\$ 5.15</b>
<b>NOI after Reserve</b>	<b>\$</b>	<b>1,094,486</b>	<b>32.5%</b>	<b>\$ 10,945</b>	<b>\$ 49.25</b>	<b>\$ 1,159,959</b>	<b>31.7%</b>	<b>\$ 11,600</b>	<b>\$ 49.13</b>	<b>\$ 1,268,215</b>	<b>31.5%</b>	<b>\$ 12,682</b>	<b>\$ 50.71</b>	<b>\$ 1,268,815</b>	<b>31.3%</b>	<b>\$ 12,688</b>	<b>\$ 50.73</b>	<b>\$ 1,263,927</b>	<b>29.4%</b>	<b>\$ 12,639</b>	<b>\$ 50.54</b>

The balance of this report will review in full detail these findings.

## 2. AREA OVERVIEW

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### 2.1. Introduction

To properly understand the market and opportunities that might be available to a new hotel and conference center in the market, we first needed an understanding of the City of Rochester, the Strafford County community and the major cities surrounding Rochester. PHG reviewed the hotel and conference center market in Concord, Manchester, Dover and Portsmouth. PHG looked at a multitude of indicators of the area to develop an overall view of the environment of the people and businesses that will help support a new hotel and conference center. Indicators that provide insight into the demographic and economic trends included population growth projections, employment and retail sales figures, major employers in the region, access to the area and the main tourism and convention activities.

The City of Rochester is located in the Seacoast Region of the state and is supported by the Spaulding Turnpike from exit 11 through 16. Using data collected in 2014 from the Spaulding Toll Booth, the turnpike has experienced a 6.0% increase in daily traffic count; weekend and holidays has seen an increase of 25%. Rochester is a city in the county seat of Strafford County. Rochester is the sixth largest city in New Hampshire with 29,745 residents.

Situated on the Spaulding Turnpike with connections to both I-93 and I-95, the area has easy access to the northeast corridor, Portland and Boston metropolitan areas. Many new businesses have built or relocated to New Hampshire due to convenient access to the northeast highway corridor and seaports. New Hampshire also has no state sales tax. Rochester is supported by eight business and industrial parks; Spaulding Ave Industrial, Ten Rod Road Industrial, Gonic Industrial Park, TREE Industrial, Granite State Business Park, Gerrity Business and Industrial Park, North Coast Industrial Park and Brady Sullivan Industrial Park. Excellent medical facilities include the well-recognized Frisbie Memorial Hospital with a new training and conference center.

### 2.2. Demographic and Economic Trends

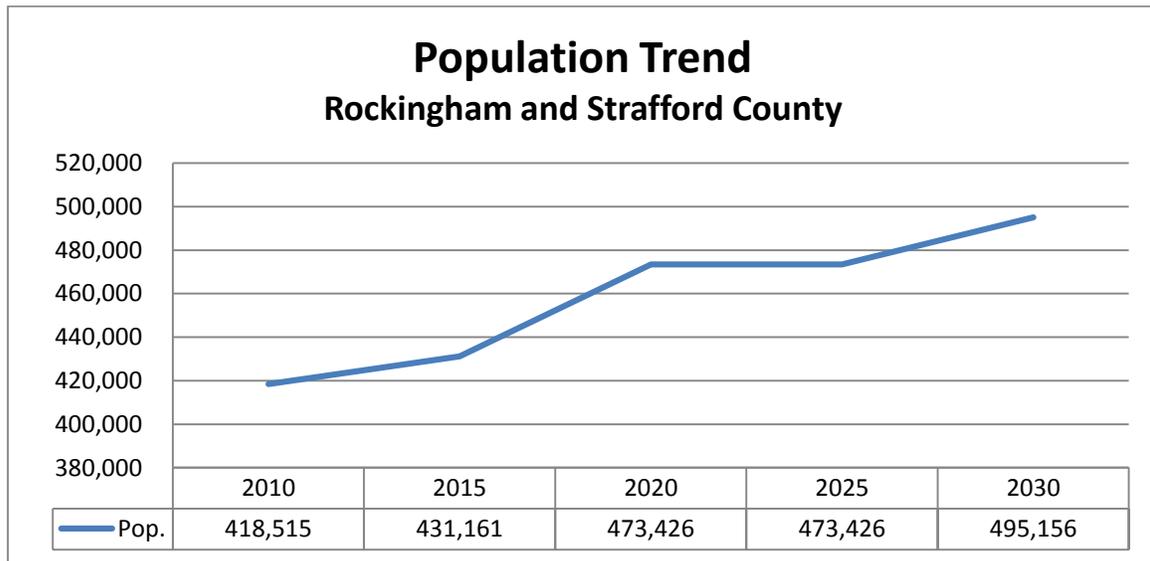
Understanding a market's economic trends provides a developer with insight into the future business potential for the project. The community's stability or growth in specific trends indicates a market's ability to support an additional hospitality venue. If businesses are attracted to the area; the population, retail sales, and visitor business traveler counts all increase which provides positive indicators to support a new hotel and conference center. This growth cycle is typically self-perpetuating. Conversely, if a market has not shown trends towards growth in these indicators, it can discourage businesses and economic development in the area.

#### Population

The populations of Rockingham and Strafford County are anticipated to mirror the pace in the United States through 2030. Their population growth exceeds all of New England by almost 8% and is ahead of New Hampshire by 3.5%. This is a positive indicator of increased demand for hotel accommodations over the time frame studied.

TOTAL POPULATION						
NAME	2010	2015	2020	2025	2030	PERIOD
UNITED STATES	309,326,295	321,449,214	336,499,603	352,280,991	368,462,445	19.1%
<i>Year over Year Change</i>		3.9%	4.7%	4.7%	4.6%	
NEW ENGLAND	14,464,915	14,760,178	15,175,196	15,594,961	16,003,265	10.6%
<i>Year over Year Change</i>		2.0%	2.8%	2.8%	2.6%	
NEW HAMPSHIRE	1,316,614	1,342,975	1,398,077	1,454,677	1,511,264	14.8%
<i>Year over Year Change</i>		2.0%	4.1%	4.0%	3.9%	
ROCKINGHAM COUNTY-STRAFFORD COUNTY, NH	418,515	431,161	451,933	473,426	495,156	18.3%
<i>Year over Year Change</i>		3.0%	4.8%	4.8%	4.6%	

*SOURCE: Woods and Poole Economics*



### Personal Income

Personal income is expected to grow steadily through 2025 and keep pace with the entire state. This growth is slightly higher than the New England region and trails the United States by a very small margin. Increased personal income spurs the local economic growth and will support further development within the City of Rochester.

TOTAL PERSONAL INCOME				
AREA	2010	2015	2020	2025
UNITED STATES	12215832	13829016.7	15576939	17524039.4
<i>Year over Year Change</i>		13.2%	12.6%	12.5%
NEW ENGLAND	702946.287	777020.242	860498.268	950890.2
<i>Year over Year Change</i>		10.5%	10.7%	10.5%
NEW HAMPSHIRE	58236.704	65754.449	73474.532	81836.773
<i>Year over Year Change</i>		12.9%	11.7%	11.4%
ROCKINGHAM COUNTY-STRAFFORD COUNTY, NH	19395.519	22229.269	24891.983	27764.233
<i>Year over Year Change</i>		14.6%	12.0%	11.5%

*SOURCE: Woods and Poole Economics*

## Employment

Rockingham and Strafford Counties are expected to see a steady 1.3% rise in employment each year from 2015 through 2020. Sectors that are expected to experience the most pronounced growth (30 %+ ) include Mining, Finance, Insurance, Administrative and Waste Services, and Educational Services. Sectors that are expected to see a decline include Manufacturing, Construction, Government and Management of companies.

TOTAL EMPLOYMENT							(in thousands of jobs)
REGION	2015	2016	2017	2018	2019	2020	% Change
UNITED STATES	188032.5	190870.7	193656.4	196418	199184.5	201959	7.4%
<i>Year over Year Change</i>		1.5%	1.5%	1.4%	1.4%	1.4%	
NEW ENGLAND	9465.47	9586.476	9703.997	9819.582	9934.659	10049.45	6.2%
<i>Year over Year Change</i>		1.3%	1.2%	1.2%	1.2%	1.2%	
NEW HAMPSHIRE	860.341	872.592	884.433	896.04	907.596	919.108	6.8%
<i>Year over Year Change</i>		1.2%	1.2%	1.2%	1.1%	1.1%	
ROCKINGHAM COUNTY-STRAFFORD COUNTY, NH	266.652	270.483	274.184	277.805	281.409	285.005	6.9%
<i>Year over Year Change</i>		1.4%	1.4%	1.3%	1.3%	1.3%	

SOURCE: Woods and Poole Economics

TOTAL EMPLOYMENT (in thousands of jobs)						
SECTOR	2005	2010	2015	2020	2025	% Change
MINING	0.22	0.252	0.515	0.562	0.611	75.9%
FINANCE and INSURANCE	10.962	13.721	15.639	17.472	19.439	54.2%
ADMINISTRATIVE and WASTE SERVICES	13.274	15.422	16.081	17.856	19.734	40.2%
HEALTH CARE and SOCIAL ASSISTANCE	21.821	24.389	26.109	28.263	30.598	33.6%
EDUCATIONAL SERVICES	5.707	6.04	6.003	6.611	7.221	25.2%
ACCOMMODATION and FOOD SERVICES	17.031	17.15	19.315	20.601	21.866	25.0%
OTHER SERVICES, EXCEPT PUBLIC ADMINISTRATION	13.046	12.41	13.54	14.842	16.279	23.9%
PROFESSIONAL and TECHNICAL SERVICES	16.825	18.074	19.195	20.246	21.386	23.8%
ARTS, ENTERTAINMENT, and RECREATION	6.348	6.766	7.265	7.682	8.05	23.4%
WHOLESALE TRADE	10.516	9.898	11.105	12.083	13.005	22.4%
REAL ESTATE and RENTAL and LEASE	11.473	11.417	12.049	13.02	14.061	21.5%
FORESTRY, FISHING, RELATED ACTIVITIES and OTHER	0.722	0.686	0.794	0.836	0.879	19.8%
FEDERAL MILITARY	1.367	1.617	1.67	1.676	1.681	18.8%
INFORMATION	4.711	4.365	5.188	5.38	5.574	16.6%
RETAIL TRADE	37.692	36.386	38.753	41.639	43.829	15.8%
FARM	1.02	1.12	1.22	1.219	1.212	15.7%
STATE and LOCAL GOVERNMENT	23.555	25.408	25.179	26.235	27.005	13.7%
TRANSPORTATION and WAREHOUSING	6.383	5.845	6.344	6.494	6.665	4.4%
UTILITIES	1.19	1.231	1.189	1.209	1.223	2.8%
MANUFACTURING	21.422	19.159	20.457	20.86	21.161	-1.3%
CONSTRUCTION	19.216	14.678	15.513	16.697	17.567	-10.6%
FEDERAL CIVILIAN GOVERNMENT	1.637	1.672	1.291	1.254	1.218	-32.5%
MANAGEMENT of COMPANIES and ENTERPRISES	3.165	2.454	2.238	2.268	2.295	-38.9%
TOTAL EMPLOYMENT	249.303	250.16	266.652	285.005	302.559	20.0%
SOURCE: Woods and Poole Economics	Positive			Negative		

## Total Retail Sales

Retail sales are projected to grow 12.3% through 2022 to \$10.59 billion. The compounded rate of growth is parallel to the United States and exceeds the State of New Hampshire and the New England region.

TOTAL RETAIL SALES, INCLUDING EATING and DRINKING PLACES SALES								(in millions of 2009 dollars)	
REGION	2015	2016	2017	2018	2019	2020	2021	2022	Com-pounded
UNITED STATES	4827911.13	4911203.83	4996545.75	5081703.63	5167062.13	5253322.47	5334802.88	5415355.784	12.2%
<i>Year over Year Change</i>		1.7%	1.7%	1.7%	1.7%	1.7%	1.6%	1.5%	
NEW ENGLAND	247921.596	251296.831	254744.011	258148.493	261529.909	264923.181	268042.554	271083.372	9.3%
<i>Year over Year Change</i>		1.4%	1.4%	1.3%	1.3%	1.3%	1.2%	1.1%	
NEW HAMPSHIRE	29083.536	29550.584	30028.092	30502.552	30976.327	31453.513	31900.133	32339.127	11.2%
<i>Year over Year Change</i>		1.6%	1.6%	1.6%	1.6%	1.5%	1.4%	1.4%	
ROCKINGHAM COUNTY-STRAFFORD COUNTY, NH	9430.332	9595.484	9764.458	9932.867	10101.478	10271.656	10432.23	10590.762	12.3%
<i>Year over Year Change</i>		1.8%	1.8%	1.7%	1.7%	1.7%	1.6%	1.5%	

*SOURCE: Woods and Poole Economics*

By far, the greatest segment of retail growth is expected to be in non-store retailers at 97.7% followed by Health and Personal Care, Eating Establishments, and Gasoline – from 51.4-35.4% growth. Conversely, Building Materials and Garden Equipment, Sporting Goods, Hobby, Book and Music store sales expected to fall 4.1-8.9% through 2025.

TOTAL RETAIL SALES, INCLUDING EATING and DRINKING PLACES SALES						(in millions of 2009 dollars)	
Sector	2005	2010	2015	2020	2025	% Change	
NONSTORE RETAILERS RETAIL SALES	521.996	598.56	811.294	915.291	1031.843	97.7%	
HEALTH and PERSONAL CARE RETAIL SALES	367.079	410.202	449.061	507.828	555.604	51.4%	
EATING and DRINKING PLACES SALES	663.158	683.499	788.022	864.824	959.115	44.6%	
GASOLINE STATIONS RETAIL SALES	692.67	721.481	823.104	878.666	937.69	35.4%	
GENERAL MERCHANDISE STORES RETAIL SALES	1240.987	1181.572	1219.851	1340.07	1472.037	18.6%	
FOOD and BEVERAGE STORES RETAIL SALES	1376.719	1381.505	1489.096	1552.262	1605.267	16.6%	
CLOTHING and CLOTHING ACCESSORIES STORES RETAIL SALES	377.517	344.293	384.639	410.935	437.387	15.9%	
MOTOR VEHICLES and PARTS DEALERS RETAIL SALES	1862.098	1307.456	1762.682	1948.928	2085.953	12.0%	
MISCELLANEOUS STORE RETAIL SALES	267.149	239.875	254.359	273.597	294.171	10.1%	
ELECTRONICS and APPLIANCE STORES RETAIL SALES	368.064	322.647	337.152	376.509	397.324	7.9%	
FURNITURE and HOME FURNISHING STORES RETAIL SALES	220.705	150.98	173.671	209.542	231.331	4.8%	
BUILDING MATERIALS and GARDEN EQUIPMENT and SUPPLIES DEALERS RETAIL SALES	898.543	651.215	751.116	803.865	861.772	-4.1%	
SPORTING GOODS, HOBBY, BOOK, and MUSIC STORES RETAIL SALES	215.75	187.483	186.285	189.339	196.608	-8.9%	
TOTAL RETAIL SALES, INCLUDING EATING and DRINKING PLACES SALES	9072.435	8180.768	9430.332	10271.66	11066.1	22.0%	

*SOURCE: Woods and Poole Economics*

## 2.3. Economic Forecast – Moody’s

### “Recent Performance

Growth in private services is fueling New Hampshire’s expansion. *Rockingham County-Strafford County has been in expansion for three quarters*, and Manchester-Nashua is almost back to its pre-recession peak levels of output and employment. The *NH unemployment rate is the second lowest in the Northeast*, trailing only that of Vermont. The rapidly increasing labor force is just shy of its pre-recession height, and *private industry job growth has been solid through the first half of 2015*. However, the loss of state government jobs is a significant weight, and a softening global economy is dragging on demand for high-tech exports—manufacturing employment is suffering as a result. *The*

housing market is gaining strength. Permit issuance hit a post-recession high in 2014, and house prices are rising steadily.

### **Manufacturing**

An accelerating domestic recovery will help spur demand for the state's high-tech products, but a weak international economy will keep a lid on growth by limiting export demand. Hiring in manufacturing will accelerate in the near term but will lag the rate of overall job additions. BAE Systems, the state's largest manufacturer, will produce at full capacity through 2018 with risks weighted to the upside. This will provide a stable base of employment in the near term, but the state's smaller and medium-size manufacturers will struggle to expand because of their reliance on exports. Much of the recent growth in high-tech manufacturing has come via a vibrant startup culture and strong international demand for the state's innovative construction-related materials and software. A stronger U.S. dollar and a lull in global construction activity will limit growth for these firms in the near term, but expansion will accelerate in the medium term as the European recovery strengthens and homebuilding picks up.

### **Housing**

House prices are increasing, and building intentions will pick up as economic conditions improve. Existing-home prices are still 10% below their pre-recession peak, weighed down by a large foreclosure inventory. Foreclosures are easing, however, to half the national rate; as this reduces foreclosure inventories, house-price appreciation will accelerate. For the second year in a row, a post-winter spike has permits on the rise: They are up 40% from their year-ago levels, roughly consistent with trends in New England. The housing market will accelerate in the near term as household formation increases with the national recovery.

### **Forecast risks**

The two largest upside risks to the near-term forecast are now gone, as proposals for two casinos and a commuter rail line have both stalled in the legislature. The state House voted against licensing the casinos by a 50-vote margin, ending hopes for passage this biennium. The casinos would have brought in an estimated \$130 million in revenue.

The proposed commuter rail line connecting Manchester-Nashua to the Boston metro area has hit a funding wall: The \$72 million price tag is too much for the legislature to stomach. The project has too many supporters for this to be the final nail in the coffin, but further funding will not come in this budget.

### **Private Sector Growth**

New Hampshire's expansion will strengthen this year, as faster private sector growth outweighs weakness in government. Job creation in manufacturing and a rapidly tightening labor market will fuel faster income gains, and a pickup in household formation will support stronger home sales and price appreciation. Longer term, one of the lowest tax burdens in the country and a highly skilled workforce will enable NH to perform better than other parts of the Northeast."

Alex Lowy, The Moody Report, May 2015

## 2.4. Major Employers

New Hampshire - The Seacoast Region, the southeast area of New Hampshire, includes the eastern portion of Rockingham County and the southern central portion of Strafford County. The City's economy includes such industries as healthcare, manufacturing, and tourism. Rochester has eight industrial and business parks that support several large manufacturing companies that are growing in the region. Through the Industrial Development Authority, Rochester is expanding existing or developing new business parks. Managing the growth of these parks supported by skilled labor will be a key factor to Rochester's growth.

The City of Rochester's market within New Hampshire is an area that is growing and expanding due to the development of these markets and the affordability of land for future development as compared to areas that no longer have affordable or available development opportunities. Rochester is home to approximately 29,745 residents.

Major demand generators in New Hampshire include:

**Healthcare:** The Seacoast Region is a major hub for biomedical research in New Hampshire. The state is also home to ten major hospitals, in addition to smaller facilities, that employ a number of health care professionals. The state of New Hampshire employs 23,000 people in healthcare. Two of the top three employers in the state are Dartmouth-Hitchcock Medical Center and Elliot Hospital.

**Smart Manufacturing/High Technology (SMHT):** SMHT is the largest and most important sector of the state's economy. New Hampshire's SMHT sector is mainly known for using high-tech equipment to produce electronic components. Laars Heating Systems and Albany International along with Safran and Great Bay Community College Advance Technology & Academic Center are located within Rochester's city limits and are examples of Rochester's growth opportunities.

**Tourism:** New Hampshire has traditionally depended on its natural resources and recreational opportunities to draw out-of-state visitors to the region throughout the year. The Seacoast, Lake Region, and White Mountains are the primary tourism hotspots in New Hampshire. The Spaulding Turnpike and I-93 and I-95 are the key routes supporting tourism and thus travelers will pass through Rochester to these locations.

## 2.5. Transportation

### Airports in New Hampshire

The Strafford County market, which includes the City of Rochester, is supported by Skyhaven Airport (DAW), located three miles southeast of the Downtown Rochester's central business district. Skyhaven is for private aircraft only and does not offer scheduled flights within the region. Regional airports include Concord Municipal Airport, Portsmouth International Airport and Manchester-Boston Regional Airport. Manchester is a full-service airport supporting regional and local flights

arriving from national airports around the country. Portsmouth is serviced by Allegiant Air and offers a limited schedule to select locations. Maine and Massachusetts offer Portland International and Boston Logan International Airport, with shuttle services to both locations available.

### **Highways and Transit**

The highway system in and around Strafford County is primarily supported by major highways including Routes 11, 108, 125, 202, in addition to the Spaulding Turnpike (Route 16) – a four lane, limited access highway with six exits to the City of Rochester. The turnpike provides easy access to Interstate 95, the Pease International Tradeport, Boston's Logan Airport, Manchester International Airport, the Portland International Jetport and the Port of Portsmouth. The New Hampshire North Coast Rail Line and Skyhaven Airport also serve Rochester. Interstate 93 and 95 travels north and south through New Hampshire. Boston is only 72 miles from Rochester using Interstate 95. New Hampshire offers a variety of transit options that include Amtrak service to Boston, New York and Washington DC with connecting points in Connecticut. MassCommute and MassRides (resources to help commuters find alternative options), vRide (offering van service within New Hampshire and from New Hampshire to Massachusetts including Boston) and a variety (Coast, Wildcat-UNH, C&J Bus) of long distance bus service, some offer express service to Boston.

### **2.6. Tourism and Convention Activity**

New Hampshire has four nicknames. The “Granite State” is the one by which the state is commonly known due to the extensive granite formations and quarries. Other nicknames include: “Mother of Rivers” for the rivers of New England that originate in the mountains, “White Mountain State” for the White Mountain Range and “Switzerland of America” for the beautiful mountain scenery.

The Granite State has over 75 state parks and forest locations, including Hampton Beach State Park with Oceanfront Pavilion and beautiful lake parks. A number of vacation properties are owned throughout the state, utilized as second homes, due to the various recreational components available. Outdoor recreation is abundant and supports tourist travel to the famous Lakes Region, the White Mountains ski resorts and the seacoast beaches. Rochester’s location is relatively close to all of these activities. Golf, skiing, whitewater rafting, mountain biking, camping, hunting, snowmobiling and hiking are all also popular in this region.

Roger Allen Park located in Rochester is known as one of the best youth sports parks in New England. The field boasts five softball, ten baseball, five soccer, and one football field that accommodates youth softball, baseball, football, soccer and many other activities for young athletes in the city and the New England region. The park hosts many state and regional tournaments for youth sports, most notable events are “Buddy Ball” and Howie’s Field of Dreams.

Rochester encompasses over 45.2 square miles. With the recent restoration of the historic downtown 800+ seat Opera House, Rochester is able to host cultural and civic activities for residents and visitors in the area. Rochester also offers a New Hampshire Festival and Concert series; the

majority of these events are held at the Rochester Fair Grounds and have been well received and very successful. Below is a sample listing of area events:

- Phantom Gourmet and BBQ Festival
- Rochester Blues Festival
- October Festival
- Trick or Treat on the town and Zombie Walk
- Factory Court Concert Series
- Free Comic Book Day
- Teddy Bear Picnic
- Chamber Community Expo
- Rochester's Munch Madness
- Chamber Showcase
- Author's Fair
- Wine in the Garden, Beer in the Woods
- Paranormal / UFO Festival
- Festival of Trees

The Fair Grounds are conveniently located just off the Spalding Turnpike. Rochester celebrates a Fourth of July celebration complete with family activities and fireworks in the summer, a 120 year old Rochester Fair (an old fashioned agricultural fair) in the fall. Residents from neighboring states of Massachusetts, Vermont and Maine drive in to attend these large events and fairs. The City and Chamber of Commerce actively support these events which are hosted by Festevents New England.

### 3. SITE ANALYSIS

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#### 3.1. Neighborhood Review

**Rochester** is a historical city located in Strafford County. Rochester includes the villages of East Rochester and Gonic and is a community that has a mixture of retail, health care services, and manufacturing. The City offers extensive commercial development opportunities in its eight business and industrial parks, along with many recreational facilities including the Fair Grounds. Rochester also offers a distinct historic downtown district with restored mills and renovated Opera House, to provide the City both urban and suburban environments. The population of the City has remained consistent over the past decade with the current population recorded at 29,745 according to the 2010 US census. In addition the 2010 US census reports 14,040 housing units; 6,958 or 49% of those are single-family units within the Rochester boundaries.



Bordering the eastern edge of Rochester, the **City of Dover** is a similar community with a downtown district supported by restored mills similar to those in Rochester. The Dover community is a mixture of retail, insurance services, health care services, manufacturing, and offers two commercial development parks. Currently, several manufacturers located on the east site of Rochester in the

Granite State Business Park use Dover’s hotels and restaurants due to the lack of quality hotels in Rochester and ease of access to the Dover properties. It is anticipated that the new subject hotel may draw transient business from the Dover market. Over the past 13 years, the city has experienced a 12% population growth with a current population of 30,207 people according to the 2010 US census. In addition the 2010 US census reports 13,190 housing units, of which 6,634 or 50% are single family units residing within Dover boundaries.



**3.2. Subject Hotel Site Analysis**

The City of Rochester is currently considering four possible locations as potential sites for a new hotel and conference center project. The sites are in various stages of availability and condition from an empty lot to a location currently in use and would need to be vacated if the site is selected. PHG reviewed the four sites under consideration for the Rochester Hotel and Conference Center to provide recommendations on which site would be best suited for the project. The sites were evaluated based on the accessibility, visibility and the potential for possible future expansion. Other considerations included the proximity to demand generators, amenities and parking options.

The chart below ranks each of the four sites for the suitability of the location.

Rochester Hotel and Conference Center Site Analysis				
	Site 1	Site 2	Site 3	Site 4
Accessibility	Very Good	Excellent	Good	Good
Visibility	Good	Excellent	Poor	Good
Proximity to Demand	Good	Good	Good	Good
Proximity to Amenities	Very Good	Good	Good	Very Good
Expansion Potential	Very Good	Very good	Poor	Good
Parking Options	Very Good	Very good	Very Good	Good

**Site 1: 19 & 26 Labrador Drive, Exit 13 off Spaulding Turnpike**

Located off the Washington Street Exit of Route 16 Spaulding Turnpike, this development site consists of two parcels on Labrador Drive; 19 Labrador Drive with 5.9 acres and 26 Labrador Drive with 10.7 acres. Both parcels have frontage on Washington Street across from the Rochester Crossing Shopping Mall. The site offers great accessibility for traffic passing through Rochester and Strafford County. The site is easily accessible as it is located just to the southwest of the exit ramps from US Route 16, vehicles exiting the highway onto Washington Street to the mall, or heading into the downtown area. The site offers multiple development opportunities. It is situated in close proximity to two chain restaurants and other downtown businesses. The site's developer would need a master plan to best utilize both sites and position a hotel and conference center along with other development projects for the sites.



**Site 2: 400 North Main Street, Exit 15 off Spaulding Turnpike**

The brownfield site is directly off Exit 15 of the Spaulding Turnpike on North Main. It offers the best site visibility and accessibility from the Turnpike. With the expansive space already prepared for development, the lot has the flexibility to support a number of hotel and conference center footprints. With the site being only a short distance to Downtown Rochester, Rochester Fair Grounds, Granite Ridge Development District and local business, it provides high traffic flow and good visibility. Hotel entrances can be created off North Main to create easy access for guests traveling from either direction through the city. The site is located directly across from a car dealership and several potential sites for future development.



Future expansion could be available based on the layout of the structure and opportunities with the overall site. The development of a surface parking lot is available on the site. The developer is also exploring a national brand hotels and chain restaurant for the site. Taking into consideration the developer's desire to develop the site with a hotel and chain restaurant and the favorable location

of the site, it would position the site well as a location for a future hotel and conference center or event center.

**Site 3: 36 Farmington Road, Exit 15 off the Spaulding Turnpike**

The site is located on Farmington Road off Exit 15 of the Spaulding Turnpike. It is one-quarter mile from the Granite Ridge Development District and the Holiday Inn Express and Suite Hotel. Currently, the site supports an apartment complex positioned in the back portion of the site. Directly across from the site is a large residential community. In addition, the site has several restaurants within a half-mile. The site has a large open section of land on Farmington Road. The developer would need to consider the process and timing for closing the apartment complex, the cost of removing the current structure and preparing the site. With the close proximity to “The Ridge Marketplace“, a walking trail could be developed which would make an attractive feature for guest. The site is large enough to support the development of a hotel and conference center.



**Site 4: 77 Farmington Road, Exit 15 off the Spaulding Turnpike**

The site is located off Exit 15 on the Spaulding Turnpike on Farmington Road, across from “The Ridge Marketplace“. This site is the Holiday Inn and Suite Hotel. The Developer/Owner noted interest in expanding this site. The expansion would include additional guestrooms and meeting expansion. The meeting expansion proposed would be on the adjacent two acre site. The site’s current owner, Eversource, requires access to the site. If easement rights were agreed to by both parties the Developer/Owner would consider an expansion to the current property.



**3.3. Site Conclusion**

**Site 2, the 400 North Main Street location is the preferred location to develop the new hotel and conference center project.** The location of the property will be a key element to the success of a hotel and conference center in the market. This

location offers the highest level of success compared to the other sites due to the visibility and accessibility for people traveling through Strafford County on the Spaulding Turnpike.

The size of the site provides flexibility for other development projects as well as future possible expansion of the facility. The site also provides options for the developer to include adjacent amenities to support the success of the hotel and conference center.

The site is in close proximity to Downtown Rochester, The Opera House, Fair Grounds, Business Parks and local business. The easy access to multiple locations and services around Rochester would position the property well in the market. Our estimated performance and other recommendations are based on this site being developed by the Owner.

As Rochester continues to grow and develop the business parks, along with the support of the New Hampshire Resources and Economic Development and Rochester Economic Development Commission to bring new commerce to the region, a property located on Site 2 would be well placed to meet the growth. The proposed property can be developed in stages to support this growth. We estimate the development of the property to be 18 months in length and could be opened in early 2017.

As the region's growth continues, Site 1 (19 and 26 Labrador Drive off Exit 13 on the Spaulding Turnpike) which has already experienced great development, we believe this is the second most suitable site.

## 4. HOTEL SUPPLY ANALYSIS

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### 4.1. Introduction

To develop conclusions relative to the competitive environment in which the Hotel will compete, we have analyzed the overall market and selected properties that we feel will offer primary competition to the Hotel. The competitive properties, or competitive set, were selected based on their facility type/size, location, market performance and orientation, property rating, rate structure, and discussions with management of several of these properties.

Presented on the following pages are the summary profiles of the competitive hotels based on their close proximity to Rochester, inventory of sleeping rooms, their significant meeting space or because they were mentioned in our interviews by demand generators in the area. We have categorized them into two groups; primary and secondary properties. The primary competitive set includes properties located in the southeast region of New Hampshire within a fifty mile radius of the proposed Rochester hotel. The secondary sets are hotels and event centers located throughout the state.

### 4.2. Primary Hotel Competitive Set

In this section we will provide an overview of the hotel and conference centers that are in competition with the Subject Hotel. The following table is a listing of the local competitive set for the Subject Hotel. This competitive set will be used as a baseline for comparison in the analysis to follow.

Local Competitive Supply	
Name of Establishment	Guest Rooms
Sheraton Harborside Portsmouth	201
Marriott Residence Inn Portsmouth	133
Hilton Garden Inn Portsmouth	131
Marriott Wentworth by the Sea	161
Courtyard by Marriott Grappone Conference Center Concord	90
Concord Holiday Inn Downtown	122
Radisson Hotel Manchester Downtown	250
Governor's Inn, Rochester	20
Holiday Inn Express, Rochester	77

The following table provides a more comprehensive list of competitors in the market. The expanded local set includes one non-residential meeting facility which will directly compete for meeting business, especially the highly lucrative day meeting business.

		Property	CITY	Guest Rooms	Meeting Rooms	Total NET SF Mtg Space	Ballroom Size	SqFt/GR	Year Opened	Owner	Operator
REGIONAL- LOCAL SET	STAR REPORT SET	Sheraton Harborside	Portsmouth	201	15	13,500	3,745	67.2	1988	Harborside Associates	Starwoods
		Marriott Wentworth by the Sea	New Castle	161	12	10,000	3744	62.1	2003	Ocean Properties	Marriott
		Courtyard, Grappone Conference Center	Concord	90	12	24,250	6550	269.4	2000	Steven Duprey	Duprey Hospitality
		Concord Holiday Inn Downtown	Concord	122	5	5,284	3,484	43.3	1985	Tsuis Holding	Chartwell Hotels
		Radisson Hotel Manchester Downtown	Manchester	250	18	65,000	29,480	260.0	1987	JPA III Management Company	JPA III Management Company
		Governor's Inn	Rochester	20	8	6,500	2,600	NA	1992	Anthony Ejarque	Anthony Ejarque
		Holiday Inn Express	Rochester	77	1	168	NA	NA	2007	Kevin Bowdun	Rochester Hospitality
		Portsmouth Harbor Event and CC	Portsmouth	NA	2	4,600	3,791	NA	2010	Colwen Hotels	Colwen Hotels
		Courtyard by Marriott Hotel Portsmouth	Portsmouth	133	1	1,452	1452	10.9	2012	Colwen Hotels	Colwen Hotels
		Hilton Garden Inn	Portsmouth	131	2	1,430	1,430	10.9	2006	Colwen Hotels	Colwen Hotels
OTHER COMPETITORS FOR GROUP		Mill Falls Meredith	Meredith	171	21	12,500	3220	73.0	1985	Rusty McLearn	Mills Falls
		Courtyard by Marriott	Nashua	245	12	10,000	4,968	40.8	1995	Roedel Companies	Roedel Hospitality
		Crowne Plaza	Nashua	230	12	11,500	5,200	50.0	1987	SAM Hospitality	SAM Hospitality
		Homewood Suites	Dover	88	1	420	NA	NA	2007	Lafrance Hospitality	Lafrance Hospitality
		Hampton Inn	Dover	93	2	748	NA	NA	2008	Jamson Management, Lexington MA	Jamson Management, Lexington MA

The following two tables provide a snapshot summary of features and amenities of the competitive set. This information was learned through in-person property inspections, a review of the competitors' websites and sales collateral and competitive shops.

PROPERTY	Total Meeting Space	Largest Meeting Room	Total Guest Rooms	#F&B Outlets	Room Service Hours	Business Center Hours	Fitness Center Hours
Sheraton Harborside	13,500	3,745	201	1	NA	24 Hours	5-10 PM
Marriott Wentworth by the Sea	10,000	3744	161	2	6-11 PM	24 Hours	24 Hours
Courtyard, Grappone Conference Center	24,250	6550	90	1	NA	24 Hours	24 Hours
Concord Holiday Inn Downtown	7,396	3,484	122	1	6:30-9:00	24 Hours	24 Hours
Radisson Hotel Manchester Downtown	65,000	29,480	250	2	5-10 PM	24 Hours	24 Hours
Portsmouth Harbor Event and CC	4,600	3791	NA	1	NA	10 Hours	NA
Governor's Inn	6500	2600	20	2	YES	No	NO
Holiday Inn Express	168	168	77	1	NO	24 Hours	24 Hours

Property	HSIA Wired	HSIA Wireless	2 Line Telephone	Voice Mail	Iron and Ironing board	Safe In Room	Hairdryer	Bathroom Counter Material	Bathroom Floor Material
Sheraton Harborside	YES	YES	YES	YES	YES	NO	YES	Granite	Tile
Marriott Wentworth by the Sea	YES	YES	YES	YES	YES	YES	YES	Marble	Marble
Courtyard Grappone Conference Center	YES	YES	YES	YES	YES	NO	YES	Granite	Tile
Concord Holiday Inn Downtown	YES	YES	NO	YES	YES	NO	YES	Corian	Tile
Radisson Hotel Manchester DT	YES	YES	YES	YES	YES	YES	YES	Granite	Tile
Portsmouth Harbor Event and CC	YES	YES	NA	NA	NA	NA	NA	NA	NA
Governor's Inn	NO	YES	NO	NO	YES	NO	YES	Corian	Tile
Holiday Inn Express	YES	YES	YES	YES	YES	NO	YES	Granite	Tile

## PRIMARY COMPETITIVE SET

### Sheraton Harborside Portsmouth

The Sheraton Harborside is a Three-Diamond property conveniently located off I-95 in the downtown historic waterfront district section overlooking the harbor and near shopping and restaurants. The hotel has 201 guestrooms and 15 meeting rooms totaling 13,500 square feet of space. The largest room is 3,744 square feet. Guestroom amenities include a coffee maker, microwave oven, refrigerator and safe. Breakfast is not included in the rate although packages with meals are available. Additional business-friendly amenities include free Wi-Fi and onsite business center. During our visit the lobby and lobby restaurant and bar were under renovations, so it was difficult to understand the final product.

#### Strengths

- ▶ *Location just off I-95*
- ▶ *Good curb appeal with arrival*
- ▶ *Walking distance to shops and restaurants*
- ▶ *Indoor saltwater swimming pool*
- ▶ *Complimentary breakfast with room*
- ▶ *Large sleeping rooms with views of the harbor*
- ▶ *55 person tiered meeting room*
- ▶ *Same ownership for 28 years*

#### Opportunities

- ▶ *With the Harborside Event Center limited meeting space it offers opportunity to capture more of the meeting and groups business*
- ▶ *Sheraton is not recognized for exceptional brand programs*

#### Weaknesses

- ▶ *Lobby, banquet space and guestrooms are tired and in need of renovation*
- ▶ *Parking is \$18.00 per day or valet is \$21.00*
- ▶ *Does not offer shuttle service*
- ▶ *Sheraton does not carry the brand strength*
- ▶ *Third party audio visual*
- ▶ *Limited F&B on-site outlets*
- ▶ *Does not offer shuttle service*

#### Threats

- ▶ *Lower rates capture group and transient business from the local market*

### Wentworth by the Sea a Marriott Hotel and Spa

Wentworth by the Sea Inn is an AAA Four-Diamond conference center and spa retreat in Portsmouth off I-95. The property was renovated and reopened in 2003. The hotel has 161 guestrooms and 12 meeting room totaling 10,000 square feet of meeting space, the largest is 3,744. The conference wing is supported by a business center, team building programs and professional event services. Guestroom amenities include marble baths with radiant heat floors, flat screen televisions, work space, coffee maker, microwave oven, refrigerator and safe. Breakfast is included with the rate. Additional business-friendly amenities include free Wi-Fi throughout the property. The property has a lounge and two full-service restaurants on site, which serve breakfast and dinner

along with nightly room service. Fitness amenities include a 6,000 square foot spa and health club and indoor swimming pool.

#### **Strengths**

- ▶ *Extremely well maintained*
- ▶ *Location just off I-95 one hour from Boston*
- ▶ *Walking distance to yacht club and golf course, bike to New Castle shops and restaurants*
- ▶ *Ample free parking*
- ▶ *Bar, Restaurants and room service on site*
- ▶ *Nicely appointed meeting space and guestrooms*

#### **Opportunities**

- ▶ *New Castle is charming*
- ▶ *Property is seasonal, and offers reduces rates in the off season rates*

#### **Weaknesses**

- ▶ *Seasonal and extreme weather in the winter period*
- ▶ *Property reduces staff and outdoor activities after Columbus Day*
- ▶ *No adjacent amenities, you need to drive to shopping and restaurants*
- ▶ *Third party audio visual*
- ▶ *Not in Portsmouth*
- ▶ *Does not offer shuttle service*

#### **Threats**

- ▶ *Portsmouth has newer hotels and event center*
- ▶ *Not the first choice for meeting planners*

### **Courtyard by Marriott and Grappone Conference Center**

The Grappone Conference Center is adjacent to the limited service Courtyard by Marriott off I-93 in Concord. Both properties are managed by the same management company. The hotel has 90 guestrooms which feature refrigerators, microwaves and coffee makers as well as complimentary Wi-Fi. There is an indoor pool, 24 hour fitness center and business center on property. The Bistro and bar serves breakfast and dinner, evening only room service, parking is complimentary. The Grappone Conference Center has two outside entrances; in addition it can be accessed from the Marriott. Both properties have ample parking. The Grappone Conference Center has 12 meetings totaling 24,259 square feet, the largest is 6,550. The Conference Center audio visual staff is on-site, free high speed internet, meeting planners have an office within the Conference Center.

#### **Strengths**

- ▶ *Connected to Courtyard Marriott*
- ▶ *Convenient location off I-93*
- ▶ *Professional meeting planners on site in the Conference Center*
- ▶ *Location in the Capital City of New Hampshire*
- ▶ *On site car rental service*

#### **Weaknesses**

- ▶ *Lack of restaurants and activities in the area*
- ▶ *Corporate office corridor lacks character and charm*
- ▶ *Small limited service restaurant and lounge in the lobby*
- ▶ *Limited guestrooms for large meetings in the conference center*
- ▶ *Conference Center finishes are dated*
- ▶ *Does not offer shuttle service*

**Opportunities**

- ▶ *Concord is the capital and has history and culture*
- ▶ *No small meeting rooms for 10-15*

**Threats**

- ▶ *Due to its location in the capital, a larger majority of associations and government conferences use this property, discount rate to maintain business*

**Concord Holiday Inn Downtown**

The Holiday Inn is located off I-93 and close to I-89 and Route 4 in downtown Concord. The property offers 122 sleeping rooms and suites. There are five meeting rooms on-site totaling 5,284 square feet, the largest is 3,484. Guestroom amenities include microwaves, refrigerators, coffee makers, work desk and 42" flat screen TV. Wi-Fi access and parking are complimentary. The property has a heated indoor pool and spa, 24 hour business center, 24 hour fitness center, and a hotel gift shop.

**Strengths**

- ▶ *Convenient downtown location close to State Capitol buildings and Capitol Center for the Arts*

**Weaknesses**

- ▶ *Property needs an update to the finishes*
- ▶ *Poor meeting space design*
- ▶ *Low 10 foot ceiling height*
- ▶ *Restaurants for breakfast feels like a bar*
- ▶ *Area lacks character and charm*
- ▶ *Does not offer shuttle service*

**Opportunities**

- ▶ *Concord is the capital and has history and culture*

**Threats**

- ▶ *Lower rates from other venues capture group and transient business*

**Radisson Hotel Manchester Downtown**

The Radisson Hotel is an AAA Three-Diamond hotel and received a Certificate of Excellence for 2014-15 from TripAdvisor. It is conveniently located off I-93 in the downtown district, across the street from Verizon Arena, shopping and restaurants. The hotel has 250 guestrooms and 18 meeting rooms totaling 65,000 square feet of space. The largest rooms are the Expo Center at 29,480 and the Armory at 11,700 square feet. The Expo Center was an adjacent shopping mall converted into a flat expo space. The Armory was also adjacent space converted to a large meeting venue. Guestroom amenities include a working desk with an ergonomic chair, large screen TV, coffee maker, refrigerator and safe. Breakfast is not included in the rate although packages with meals are available. Additional business-friendly amenities include free Wi-Fi in the guestroom, Wi-Fi in the meeting space is additional cost and onsite business center. Fitness amenities include The Cascade Spa and Health Club, indoor swimming pool and barber shop.

### **Strengths**

- ▶ *High quality property, same owner since opening*
- ▶ *Newly renovated property*
- ▶ *Guestrooms are nicely appointed*
- ▶ *Convenient location off highway*
- ▶ *Downtown restaurants and shops*
- ▶ *Two restaurants and room service on-site*
- ▶ *Manchester-Boston Regional Airport*
- ▶ *Complimentary airport shuttle*

### **Opportunities**

- ▶ *Not centrally located in the state*
- ▶ *Small meetings get lost*

### **Weaknesses**

- ▶ *Third party audio visual*
- ▶ *Parking fees*
- ▶ *Low ceiling Expo Center*
- ▶ *Wi-Fi in the meeting space additional cost*
- ▶ *Limited breakout space*

### **Threats**

- ▶ *Meeting space exceeds anything in the state*
- ▶ *Proximity to the Capitol*

### **Governor's Inn**

The Governor's Inn is located off of Route 16 in Downtown Rochester. The Inn has 20 guestrooms and eight meeting rooms totaling 6,500 square feet of meeting and social space; the largest meeting room is 2,600. Guestroom amenities include coffee makers, work desk, TV, and Wi-Fi access. A limited number of guestrooms have microwaves and refrigerators. Parking is complimentary. Breakfast is included in the overnight rate and the Inn offers two restaurants.

### **Strengths**

- ▶ *Downtown with restaurants and shops*
- ▶ *The owner is the operator*
- ▶ *Close to the Opera House*

### **Opportunities**

- ▶ *Limited meeting space offers opportunity to capture larger groups*
- ▶ *Community needs for event, social and transient venue*

### **Weaknesses**

- ▶ *Older property requiring remodeling*
- ▶ *Third party audio visual and rental*
- ▶ *Low occupancy due to newer properties in Rochester and Dover*

### **Threats**

- ▶ *Discounted pricing to maintain business*

### **Holiday Inn Express and Suites**

Locate off of Spaulding Turnpike exit 15, this property has 77 guestrooms, one multipurpose room used for breakfast and small meeting when available. A complimentary breakfast is offered with the room, and WI-FI and parking are free. There is an indoor swimming pool and whirlpool, 24 hour fitness center and business center. The property is across the street from "Ridge Marketplace" (new mall under construction scheduled to open in the spring of 2016). The property is close to the Roger Allen Park. This is the only branded limited service property in Rochester.

**Strengths**

- ▶ *½ mile off Spaulding Turnpike exit 15*
- ▶ *Across from Granite Ridge Development District (GRDD). Walking distant to adjacent restaurant, additional future restaurants and shops within “The Ridge Marketplace”.*
- ▶ *Hands on owner and operator*
- ▶ *Manages most of Rochester guest stays*

**Weaknesses**

- ▶ *Only 77 guestrooms*
- ▶ *No meeting space*
- ▶ *Seasonal occupancy*

**Opportunities**

- ▶ *No meeting space offers opportunity to capture groups meeting*
- ▶ *Community needs event, social and transient venue*

**Threats**

- ▶ *Discounted pricing to maintain business*

**Portsmouth Harbor Event and Conference Center**

The Harbor Event and Conference Center is located off of I-95 in downtown Portsmouth. The Center has two meeting rooms totaling 4,600 square feet, the largest meeting room is 3,791. The Center is supported by an adjacent Hampton Inn and Suite, Residence Inn across the street and a Hilton Garden Inn conveniently located near the Center.

**Strengths**

- ▶ *Downtown and harbor location with great restaurants and shops*
- ▶ *Proximity to local hotels*
- ▶ *Closest NH location to Boston meeting market*
- ▶ *Convenient location off I-95*
- ▶ *Owned by the same company that owns the Hilton Garden Inn and Residence Inn*

**Weaknesses**

- ▶ *Limited meeting space*
- ▶ *No airport shuttle service*
- ▶ *Cost to park in parking decks-security*
- ▶ *Busy location, no loading area*
- ▶ *Foul weather is poor for participants that are walking*
- ▶ *Third party audio visual*

**Opportunities**

- ▶ *Limited meeting space offers opportunity to capture larger groups*
- ▶ *Not centrally located in the state*

**Threats**

- ▶ *Discounted pricing attracts groups and transient business*

**SECONDARY SET**

The secondary set of competitive properties is significant because these properties have a location convenient to the client or an extensive amount of meeting space that can accommodate groups of

150 or more. These venues were most commonly mentioned in our interviews or are located in Dover or Nashua. These facilities are currently supporting Rochester and regional social, transient overnight and business meetings.

PROPERTY	CITY	GUEST ROOMS	# MEETING ROOMS	TOTAL MEETING SPACE	LARGEST MEETING ROOM
Hilton Garden Inn	Portsmouth	131	2	1,430	1,430
Mill Falls	Meredith	171	21	12,500	3,222
Courtyard by Marriott	Nashua	245	12	10,000	4,968
Crowne Plaza	Nashua	230	12	11,500	5,200
Homewood Suites	Dover	88	1	420	442
Hampton Inn	Dover	93	2	748	552

### **Hilton Garden Inn Portsmouth**

Located in downtown Portsmouth, this property has 131 guestrooms and has one 1,430 sq. ft. meeting room. The property is located one block from the harbor and Portsmouth Event and Conference Center. The property has one restaurant and lounge, gift shop, indoor swimming pool, fitness center and full business center.

### **Mill Falls Meredith**

Mill Falls Resort properties on Lake Winnepesaukee are AAA Three and Four–Diamond rated. The resort is located in Meredith off I-93 and Route 3. Mill Falls consists of four different properties, The Inn at Mills Falls, Bay Point, Chase House and Church Landing; each having its own business center location with computer and printer. The properties are all within walking distance of each other. The hotel has 171 guestrooms and 21 meeting rooms totaling 12,500 square feet of meeting space, the largest is 3,220 square feet. Conference rooms are mixed into each lodging venue. Guestroom amenities include flat screen televisions, work space, refrigerator and complimentary coffee in the lobby. Additional business-friendly amenities include free Wi-Fi throughout the property and free parking. The Resort is supported by eight restaurants located in each of the lodging units and room service. Fitness amenities include the Cascade Spa and Health Club and an indoor swimming pool located in Church Landing.

### **Courtyard by Marriott Nashua**

The property is located on the border of New Hampshire and Massachusetts off US-3 Everett Turnpike in Nashua. The property has 245 guest rooms and 12 meeting rooms totaling 10,000 square feet of meeting space; the largest room is 4,968. There is one restaurant on property, indoor pool, whirlpool, fitness center, business center and free Wi-Fi and parking.

### **Crowne Plaza Nashua**

The Crowne Plaza is located on the border of New Hampshire and Massachusetts off US-3 Everett Turnpike in Nashua. The property has 230 guestrooms, 12 meeting rooms totaling 11,500 square feet with the largest room being 5,200. There is one restaurant on property, indoor heated pool, Jacuzzi and saunas, fitness center, 24 hour business center, complimentary airport shuttle, Wi-Fi and parking.

### Homewood Suites Inn Dover

The property is located off Spaulding Turnpike, Exit 9 in the business district close to restaurants and shops. The property has 77 guest rooms, one 1,420 square foot meeting room, on-site convenience store, complimentary evening social hour, indoor swimming pool, fitness center and 24 hour business center

### Hampton Inn Dover

The Hampton Inn is located off Spaulding Turnpike, Exit 9. This is one of the limited service properties located in Dover that is noteworthy because of the proximity to Rochester. The property has 93 guestrooms, two meeting rooms totaling 748 square feet; the largest meeting room is 552 square feet. Complimentary breakfast and airport shuttle, Wi-Fi, indoor pool and whirlpool, fitness center and business center.

### 4.3. Future Additions to Supply

As mentioned in the previous section, in response to New Hampshire’s economic growth, nine new hotel products are in various stages of development. It is noted that there is no mention of the Durham and the University of New Hampshire’s new hotel that was announced in July. The only property that is in close proximity to Rochester is in Rockingham County in Newington; this property is still in the planning stage. Future supply estimates takes into consideration the effect of these properties as well as the impact of the Subject Hotel (with an estimated January 2017 open date).

Construction Pipeline					
Location: New Hampshire Market				Publication Date: July 16, 2015	
STATUS	BRAND	HOTEL NAME	ROOMS	TARGET OPENING	LOCATION
Planning	Unnamed Hotel @ Merrimack Premium Outlets	Independent	200	Unknown	Merrimack, NH 03054
Planning	Unnamed Hotel @ Granite Meadows Phase II	Independent	100	Unknown	Raymond, NH 03077
Planning	Unnamed Hotel @ Woodmont Commons	Independent		Unknown	Londonderry, NH 03053-2941
Construction	Homewood Suites	Homewood Suites Gateway Hills	105	7/30/2015	Nashua, NH 03060
Construction	Residence Inn	Residence Inn Manchester Boston Regional Airport	109	12/24/2016	Manchester, NH 03103
Planning	Hilton Garden Inn	Hilton Garden Inn Hanover Lebanon	100	1/23/2017	Lebanon, NH 03756
Planning	Hampton Inn & Suites	Hampton Inn & Suites Keene	100	Unknown	Keene, NH 03431
Planning	Hotel Indigo	Hotel Indigo Portsmouth	96	8/13/2017	Portsmouth, NH 03801
Planning	La Quinta Inns & Suites	La Quinta Inn & Suites Portsmouth Newington	75	12/30/2017	Newington, NH 03801
<i>Source: Smith Travel Research</i>					

# Construction Pipeline

Publication Date: July 16, 2015

Location: New Hampshire Market

Project ID: 9357	Location	Owner/Developer
<b>Unconfirmed</b>	<b>Chain:</b> Independent	Chelsea Property Group
<b>Projected opening:</b>		
<b>Rooms:</b> 200	Unnamed Hotel @ Merrimack Premium Outlets	Roseland, NJ 07068-1640
<b>Market:</b> New Hampshire	Industrial Drive	Phone: 9734033178
<b>Sub-Market:</b> Portsmouth/Manchester, NH	Merrimack, NH 03054	
<b>Project ID: 19560</b>	<b>Location</b>	<b>Owner/Developer</b>
<b>Unconfirmed</b>	<b>Chain:</b> Independent	NH Community Dev. Finance Authority
<b>Projected opening:</b>		
<b>Rooms:</b> 100	Unnamed Hotel @ Granite Meadows Phase II	Concord, NH 03301-4957
<b>Market:</b> New Hampshire	Industrial Drive & Old Manchester Road	Phone: 6037179117
<b>Sub-Market:</b> Portsmouth/Manchester, NH	Raymond, NH 03077	Fax: 6032262816
<b>Project ID: 14460</b>	<b>Location</b>	<b>Owner/Developer</b>
<b>Unconfirmed</b>	<b>Chain:</b> Independent	Pillsbury Realty Development LLC
<b>Projected opening:</b>		
<b>Rooms:</b>	Unnamed Hotel @ Woodmont Commons	
<b>Market:</b> New Hampshire	15 Pillsbury Road	
<b>Sub-Market:</b> Portsmouth/Manchester, NH	Londonderry, NH 03053-2941	
<b>Project ID: 44857</b>	<b>Location</b>	<b>Owner/Developer</b>
<b>In Construction</b>	<b>Chain:</b> Homewood Suites	John J Flatley Company
<b>Projected opening:</b> 7/30/2015 12:00:00 AM		
<b>Rooms:</b> 105	Homewood Suites Gateway Hills Nashua	Braintree, MA 02184
<b>Market:</b> New Hampshire	Innovative Way	Phone: 7813807731
<b>Sub-Market:</b> Portsmouth/Manchester, NH	Nashua, NH 03060	
<b>Project ID: 29571</b>	<b>Location</b>	<b>Owner/Developer</b>
<b>Final Planning</b>	<b>Chain:</b> Residence Inn	S & S Hotels
<b>Projected opening:</b> 12/24/2016 12:00:00 AM		
<b>Rooms:</b> 109	Residence Inn Manchester Boston Regional Airport	
<b>Market:</b> New Hampshire	Perimeter Rd & Brown Ave	
<b>Sub-Market:</b> Portsmouth/Manchester, NH	Manchester, NH 03103	
<b>Project ID: 46752</b>	<b>Location</b>	<b>Owner/Developer</b>
<b>Final Planning</b>	<b>Chain:</b> Hilton Garden Inn	Route 120 Hotel LLC
<b>Projected opening:</b> 1/23/2017 12:00:00 AM		
<b>Rooms:</b> 100	Hilton Garden Inn Hanover Lebanon	
<b>Market:</b> New Hampshire	29 Labombard Rd	
<b>Sub-Market:</b> Concord/New Hampshire North Area	Lebanon, NH 03756	
<b>Project ID: 5869</b>	<b>Location</b>	<b>Owner/Developer</b>
<b>Planning</b>	<b>Chain:</b> Hampton Inn & Suites	Schleicher & Stebbins Hotels LLC
<b>Projected opening:</b>		
<b>Rooms:</b> 100	Hampton Inn & Suites Keene	Manchester, NH 03101
<b>Market:</b> New Hampshire	116-126 Key Road	
<b>Sub-Market:</b> Portsmouth/Manchester, NH	Keene, NH 03431	
<b>Project ID: 51455</b>	<b>Location</b>	<b>Owner/Developer</b>
<b>Planning</b>	<b>Chain:</b> Hotel Indigo	
<b>Projected opening:</b> 8/31/2017 12:00:00 AM		
<b>Rooms:</b> 96	Hotel Indigo Portsmouth	
<b>Market:</b> New Hampshire	Russell St & Deer St	
<b>Sub-Market:</b> Portsmouth/Manchester, NH	Portsmouth, NH 03801	
<b>Project ID: 10506</b>	<b>Location</b>	<b>Owner/Developer</b>
<b>Planning</b>	<b>Chain:</b> La Quinta Inns & Suites	
<b>Projected opening:</b> 12/30/2017 12:00:00 AM		
<b>Rooms:</b> 75	La Quinta Inn & Suites Portsmouth Newington	Paramus, NJ 07652
<b>Market:</b> New Hampshire	Woodberry Ave	Phone: 2016341506
<b>Sub-Market:</b> Portsmouth/Manchester, NH	Newington, NH 03801	Fax: 6037664599

Source: Smith Travel Research

#### 4.4. Historical Market Performance of Competitive Set

Smith Travel Research (STR) is an independent research firm that compiles data on the lodging industry; its published data is routinely used by typical hotel buyers. STR has compiled historical supply and demand data for properties that will be competitive to the Subject Hotel in the local market. This information is presented in the following tables, along with the market-wide occupancy, average rate, and room revenue per available room (RevPAR). RevPAR is calculated by multiplying occupancy by average rate, and provides an indication of how well room revenue is being maximized. The table depicted on this page provides an overview of the performance of the hotel competitive set in terms of occupancy, ADR, and RevPAR.

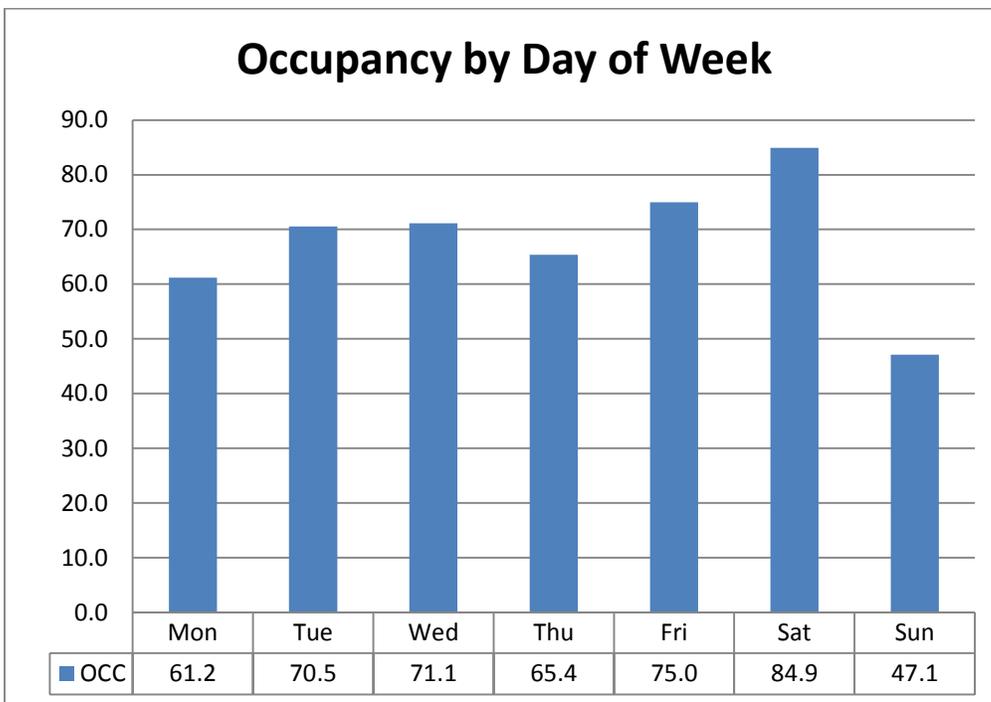
Supply has been steady over the past seven years and is expected to grow into 2018 with the nine properties in the pipeline. Since 2009, room demand has increased 42,828 rooms. Occupancy has grown from 58.35% to 71.30%.

Historical Market Performance of the Competitive Supply									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2009	328,500	N/A	191,684	N/A	58.35%	\$ 123.13	N/A	\$ 71.85	N/A
2010	328,500	0.0%	197,914	3.3%	60.25%	\$ 121.53	-1.3%	\$ 73.22	1.9%
2011	328,500	0.0%	206,117	4.1%	62.74%	\$ 121.57	0.0%	\$ 76.28	4.2%
2012	328,500	0.0%	211,575	2.6%	64.41%	\$ 128.26	5.5%	\$ 82.61	8.3%
2013	328,500	0.0%	213,189	0.8%	64.90%	\$ 122.51	-4.5%	\$ 79.50	-3.8%
2014	328,072	-0.1%	215,843	1.2%	65.79%	\$ 127.37	4.0%	\$ 83.80	5.4%
2015	328,500	0.1%	234,512	8.6%	71.39%	\$ 130.98	2.8%	\$ 93.50	11.6%
Annualized Change	0.0%		3.5%			1.1%		4.6%	

Source: Smith Travel Research

The competitive market exhibits an unusual double spiked occupancy pattern with strongest demand on Tuesday and Wednesday and then again on Friday and Saturday. This pattern indicates moderate group demand in the market mid-week and strong social demand on weekends. This is unusual because group demand over a Monday to Friday pattern is typically bell shaped; with Monday and Friday showing the lowest demand and Tuesday through Thursday showing the strongest demand. The finding that Thursday is soft indicates that group business may be short in duration (1-2 days rather than 2-3 days). If this pattern remains valid (after opening a new hotel) it will be difficult to fill the low demand weekday. However, this report measures guest rooms utilization only and does not factor in any demand for day meetings.

Occupancy by Weekday								
	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Total Month
Jun - 14	75.7	86.6	82.3	74.4	80.4	91.2	59.4	77.8
Jul - 14	73.5	81.4	77.7	79.5	93.5	95.0	59.7	80.0
Aug - 14	81.8	88.1	86.6	81.7	86.0	96.6	67.3	83.9
Sep - 14	69.5	80.5	78.0	75.3	83.9	94.7	56.4	76.8
Oct - 14	72.9	83.2	78.5	74.4	79.7	96.8	58.3	77.7
Nov - 14	52.1	57.6	64.9	72.8	76.1	76.2	35.2	61.7
Dec - 14	39.8	45.1	58.0	44.9	59.1	62.6	29.0	48.3
Jan - 15	45.6	50.5	50.8	43.2	60.0	72.8	31.5	51.4
Feb - 15	47.1	58.8	59.3	49.1	65.1	80.7	46.5	58.1
Mar - 15	52.6	68.6	67.2	59.0	68.6	88.2	32.0	61.2
Apr - 15	71.3	75.8	75.1	64.0	71.0	77.3	41.3	68.1
May - 15	54.1	71.7	73.9	66.5	75.7	88.1	47.1	68.4
<b>Total Year</b>	<b>61.2</b>	<b>70.5</b>	<b>71.1</b>	<b>65.4</b>	<b>75.0</b>	<b>84.9</b>	<b>47.1</b>	<b>67.8</b>
<i>Source: Smith Travel Research</i>								



#### 4.5. Penetration Rate Analysis

The subject property’s forecasted market share and occupancy levels are based upon the hotel’s anticipated competitive posture within the market, as quantified by its penetration rate. The penetration rate is the ratio of a property’s market share to its fair share. In this equation, market share represents that portion of total market demand accommodated by a property, and fair share

represents the subject hotel’s portion of the total supply (calculated as the subject property’s room count divided by the total supply of the market at large).

If a property with a fair share of 5% is capturing 5% of the market demand in a given year, then its occupancy will equal the market-wide occupancy, and its penetration rate will equal 100% ( $5\% \div 5\% = 100\%$ ). If the same property achieves a market share in excess of its fair share, then its occupancy will be greater than the market wide occupancy, and its penetration rate will be greater than 100%. For example, if a property with a fair share of 5% has a market share of 7%, then its penetration rate is 140% ( $7\% \div 5\% = 140\%$ ). Conversely, if the property captures less than its fair share, then its occupancy will be below the market wide average, and its penetration rate will be less than 100%.

On the following page, the first table identifies the basis for the calculation of the subject property’s estimated penetration rates by segment for 2017 (opening year) within the existing comp set. The second table estimated penetration in Year 2021.

How to read these tables:

*Subject Property Capture* (column A) represents the total number of rooms that the property will sell in a given year (22,224 in 2017). This is based on the projected mix (details can be found in section 7.2). *Market Segment Percentage* (column B) is simply the percent of rooms each segment represents against the overall rooms that are projected to be sold. This table provides a summary of the data in both columns.

Summary	2017	
Commercial	3000	13.5%
Leisure	11500	51.7%
Group	4224	19.0%
Contract	3500	15.7%
<b>Total</b>	<b>22224</b>	<b>100.0%</b>

*Fair Share* (column C) is the percentage of rooms the property should sell within the entire market in order to achieve an index of 100 (as described above)

*Market Wide Occupied Room* (column D) nights distributes the total rooms sold in the competitive set market by the segmentation distribution that is applied to the property. In this way we view the properties performance as apples to apples to the overall market.

*Subject Property Penetration* =  $(AxB) / (Cx D)$  and represents the penetration each segment will contribute to overall penetration.

Proposed New Hotel - 2017 Penetration Rates by Segment									
	A		B		C		D		
Market Segment	Subject Property's Total Room Night Capture (2017)		Market Segment Percentage (Select Service Hotels)		Fair Share		Marketwide Occupied Room Nights		Subject Property's Penetration
Commercial	3,000	x	13.5%	÷	10.0%	x	32,293	=	12.5%
Leisure	11,500	x	51.7%	÷	10.0%	x	123,790	=	48.0%
Meeting/Group	4,224	x	19.0%	÷	10.0%	x	45,468	=	17.6%
Other	3,500	x	15.7%	÷	10.0%	x	37,675	=	14.6%
<b>OVERALL</b>	<b>22,224</b>	<b>x</b>	<b>100.0%</b>	<b>÷</b>	<b>10.0%</b>	<b>x</b>	<b>239,226</b>	<b>=</b>	<b>92.7%</b>

Sources: Market Segmentation - Market Surveys, Marketwide Occupancy - Smith Travel Research

MARKET	ROOMS		
<b>SUBJECT HOTEL</b>	<b>100</b>		
Radisson Hotel Manchester Downtown	248	Comp Set 2017 Supply	330,328
Courtyard Concord	90	Comp Set 2017 Occupancy	72.4%
Holiday Inn Concord Downtown	122		
Sheraton Hotel Portsmouth Harborside	180		
Marriott Wentworth By The Sea Hotel & Spa	161		
Holiday Inn Express & Suites Rochester	77		
Governors Inn	20		
	<b>998</b>		

Proposed New Hotel - 2021 Penetration Rates by Segment									
Market Segment	Subject Property's Total Room Night Capture (2021)		Market Segment Percentage (Full Service Hotels)		Fair Share		Marketwide Occupied Room Nights		Subject Property's Penetration
Commercial	3,183	x	13.5%	÷	10.0%	x	73,935	=	5.8%
Leisure	12,200	x	51.7%	÷	10.0%	x	61,613	=	102.3%
Meeting/Group	5,914	x	19.0%	÷	10.0%	x	73,935	=	15.2%
Other	3,713	x	15.7%	÷	10.0%	x	36,968	=	15.8%
<b>OVERALL</b>	<b>25,010</b>	<b>x</b>	<b>100.0%</b>	<b>÷</b>	<b>10.0%</b>	<b>x</b>	<b>246,451</b>	<b>=</b>	<b>101.3%</b>

Sources: Market Segmentation - Market Surveys, Marketwide Occupancy - Smith Travel Research

MARKET	ROOMS		
<b>SUBJECT HOTEL</b>	<b>100</b>		
Radisson Hotel Manchester Downtown	248	Comp Set 2021Supply	331,268
Courtyard Concord	90	Comp Set 2021 Occupancy	74.4%
Holiday Inn Concord Downtown	122		
Sheraton Hotel Portsmouth Harborside	180		
Marriott Wentworth By The Sea Hotel & Spa	161		
Holiday Inn Express & Suites Rochester	77		
Governors Inn	20		

### Explanation of Market Share and Penetration Rate Adjustment

The subject property's occupancy is forecast by estimating the hotel's penetration by market segment for each year of the forecast period. The estimation of penetration rates is based upon our review of the historical penetration rates of the subject property and its competitors. If the subject hotel and all its competitors are expected to remain stable in their ability to penetrate the market, then the historical penetration rates may be appropriately projected to remain the same throughout the forecast period.

However, when additions to supply are anticipated, or if a particular hotel is expected to alter its ability to compete in some way (e.g., through a refurbishment or change in brand or management), then the penetration rates for all the hotels in the market must be adjusted. This adjustment is

necessitated by the circular calculation of the penetration rate. A hotel's penetration rate is calculated as its market share of demand divided by its fair share of demand. If one hotel's penetration rate increases, thereby increasing its market share and leaving less demand for the other hotels in the market to capture, then the penetration rates of the remaining hotels automatically decline (all other things being equal).

For example, let us assume that a hotel is slated for a renovation and repositioning, thereby enabling the hotel to improve its occupancy through increased market penetration. A higher penetration by one hotel will result in a larger capture of room nights by that hotel, thus leaving a reduced number of room nights to be shared by the rest of the competitive set. The additional room nights captured by this hotel will come out of the same finite amount of demand from which the other hotels in the market draw their demand. Any inducement of new demand caused by the repositioning will already have been built into the forecast of market-wide demand in the forecast of market-wide occupancy.

A similar impact is observed when a new hotel is added to the market. Penetration rates for the new hotel are forecast. These rates are multiplied by the hotel's fair share percentage (calculated as the hotel's fair share of supply) to calculate the hotel's market share percentage. The hotel's market share percentage is then multiplied by the total demand forecast for that market segment in that year to determine the number of room nights captured by the new hotel in that segment. When the new hotel enters the market, the penetration of all the existing hotels will automatically be impacted because these properties will each be capturing a smaller amount of the overall demand once the new hotel takes its share. If the new hotel captures less than its fair share of demand, then the penetration rates of the existing hotels will increase, and alternatively, if the new hotel captures greater than its fair share of demand, then the penetration rates of the existing hotels will decline. Thus, the penetration rate of a stable hotel is often impacted from year to year by the penetration rates of its competitors.

## 5. MARKET DEMAND ANALYSIS

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### 5.1. Introduction

In order to assess the viability, as well as determine the size and complexity of a new hotel and conference center for the City of Rochester, a comprehensive research campaign was executed. This research consisted of a survey of local businesses and state-wide companies and organizations, followed by contacting hundreds of companies by telephone to interview people involved with or responsible for planning meetings and events. The primary purpose of this research was to determine as closely as possible the number of room nights being generated in a reasonable geographic area in three primary segments; Group, Transient and Social. The secondary purpose of this research was to determine the meeting/event space needs of these same organizations. This data will be used to recommend the size and scope of the future property, a minimum set of amenities and help point to possible brands that would be suitable for the markets' needs. Following are the results of this research.

### 5.2. Survey Results

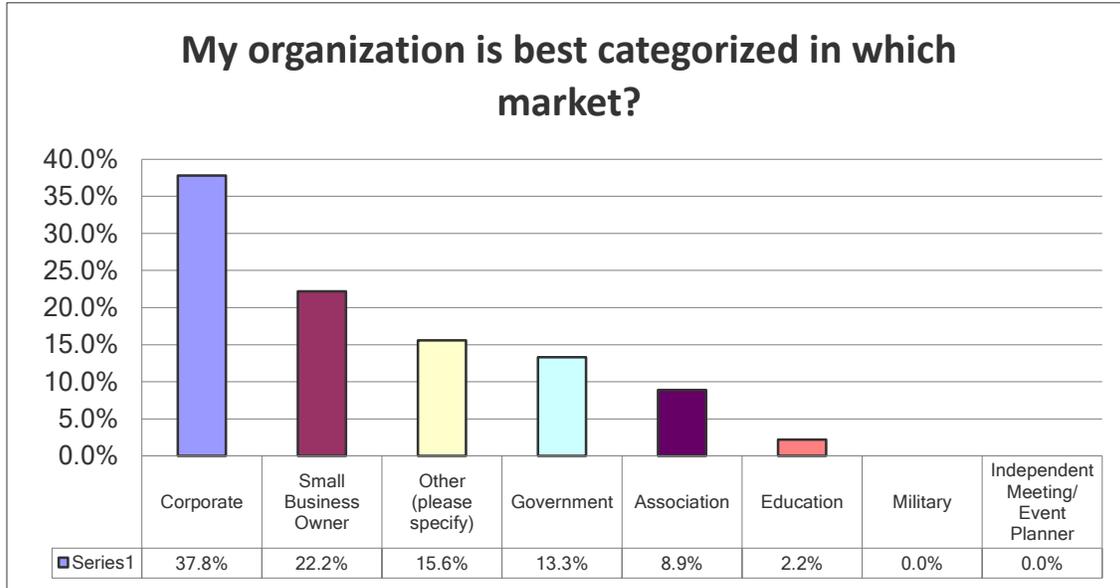
The survey was sent to approximately 500 e-mail addresses and received approximately a 9% return. This is a good rate of return for a survey of this type and we believe the results to be representative of a larger response data set by percentages. Below is a list of sample organizations that received the survey and a listing of companies that identified themselves in the survey.

The survey was sent to area Rochester Chamber of Commerce members, Rochester Economic Development Commission contacts and board, statewide associations, and various corporate meeting planners that have held prior meetings in New Hampshire and Strafford County regarding the proposed Rochester hotel and conference center. The purpose of this study was to gain some insight as to the meetings that are currently being held in Strafford County (as well as outside of the area), the properties that are being used, and the specific needs for these events. Perhaps the most valuable part of the survey was the feedback received from the participants regarding the new property and the effect it will have on Rochester and the surrounding areas.

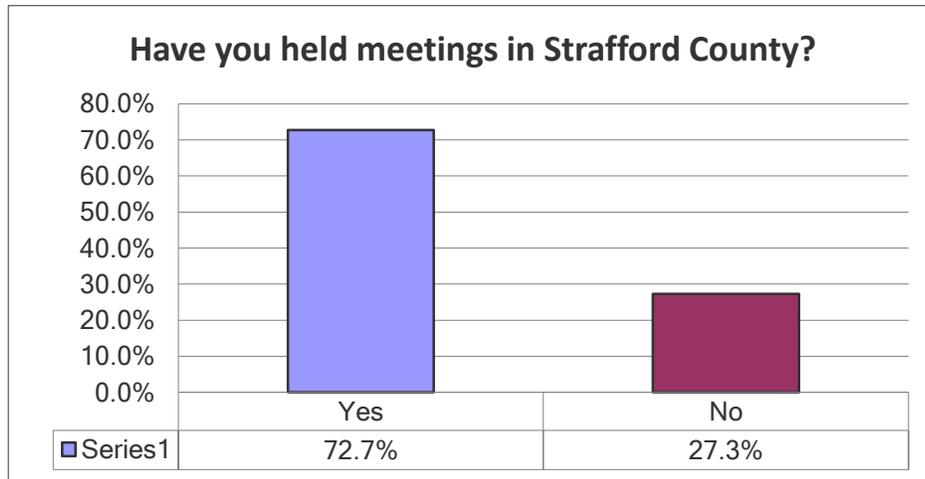
Of the 47 survey respondents, the following shared their company name:

Survey Responders	
Great Clips	Cool Crops Scrapbook
New Hampshire Osteopaths Association	New Hampshire High Tech Center
MetroCast	Art in Reach
Allstate	Wit-Way Supply
AG Architects	Adecco
SASS-Safe Place	Cornerstone VNA and Hospice
Raiche & Company CPA's	Greater Rochester Economic Development
Great Bay Community College	Daystar Inc.
Kreativ Strategies	The Granite Group
City of Rochester	Albany International
Laars Heating Systems	Safran USA

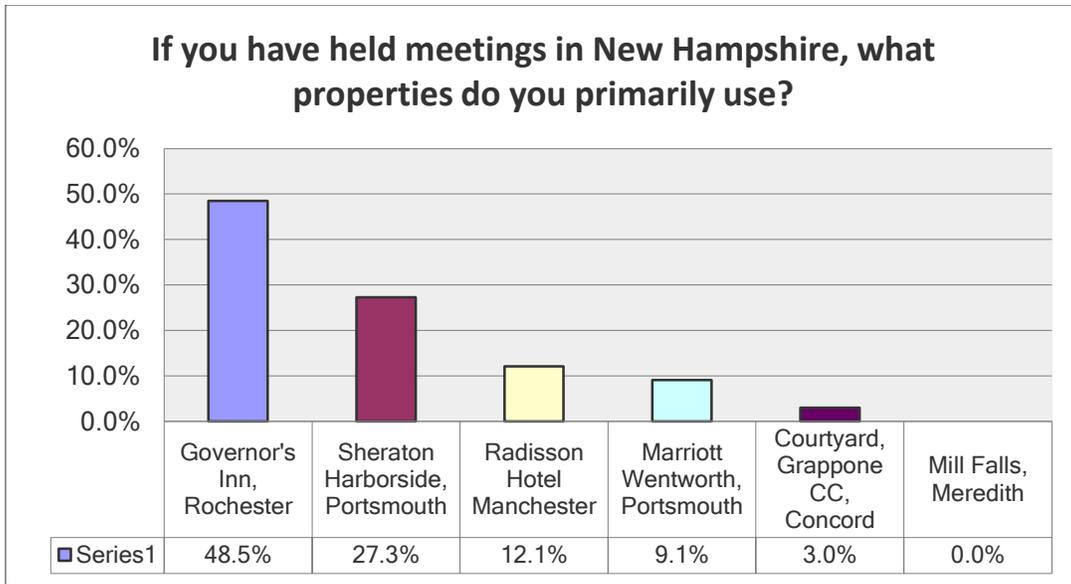
By category, 37.8% of the respondents identified themselves as corporate entities, 8.9% as Associations, 13.3% as Government /Military and 2.2% as Education. These are the primary markets that will drive group demand.



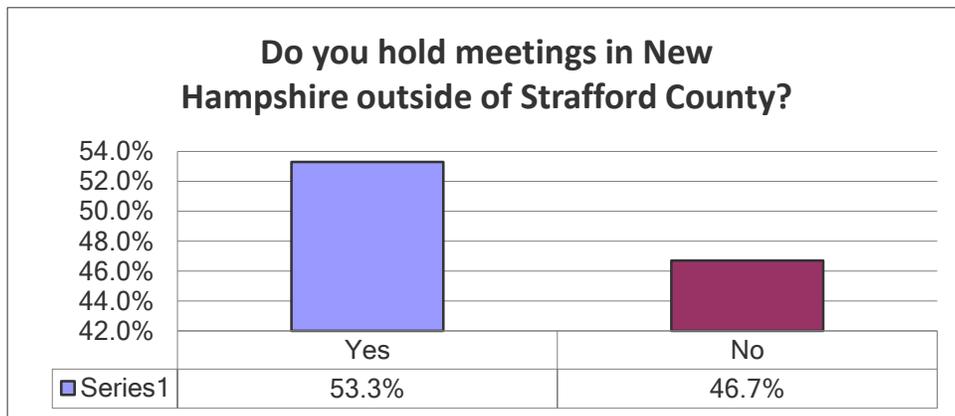
72.7% of the survey participants hold meetings in Strafford County.



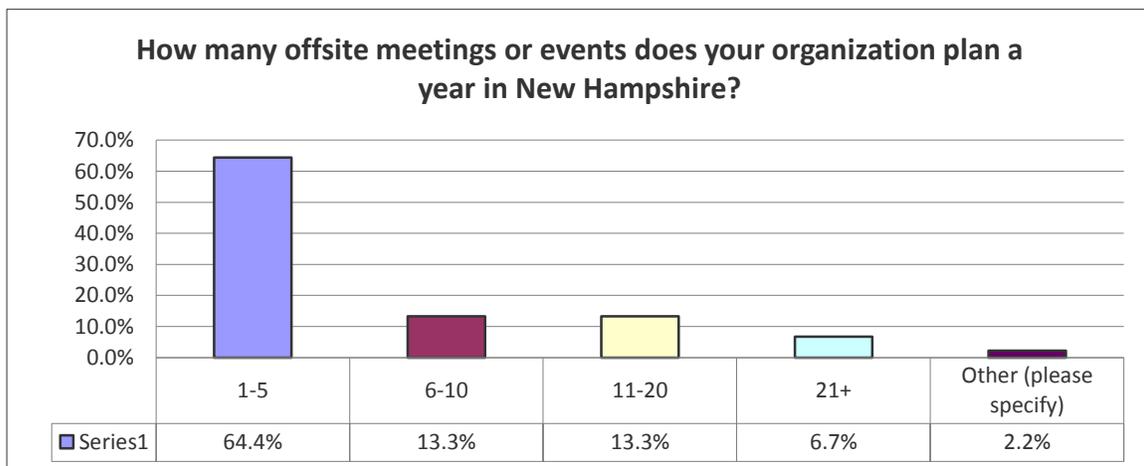
The majority of the respondents use The Governor’s Inn (48.5%) followed by Sheraton Harborside Portsmouth (27.3%). 12.2% use the Radisson Manchester and Marriott Wentworth combined. By city, just over one-third of respondents go to Portsmouth (36.4%), 12.1% go to Manchester and 3% go to Concord. The Governor’s Inn was added in the comp set to understand the local meeting and social business that did not want to travel outside of the market.



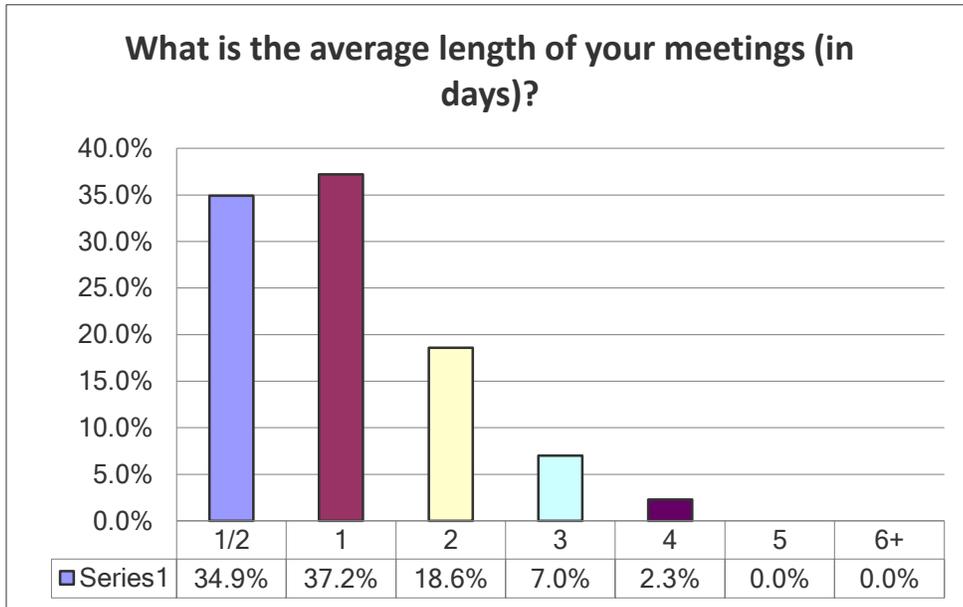
53.3% of those that took the survey also hold meetings outside of Strafford County



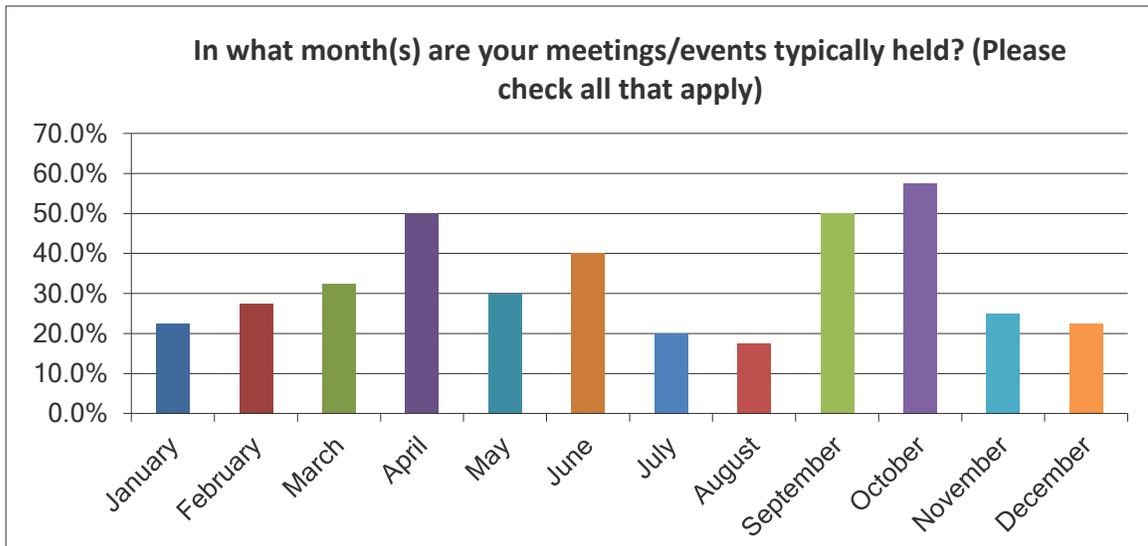
64.4% of respondents book one to five meetings a year and 13.3% book six to ten with an additional 13.3% booking 11-20 meetings per year.



72.1% of meeting organizers plan meetings of one-half to one day in length. This indicated a demand for day meetings. Less than one-third of meetings (27.9%) require guest rooms.

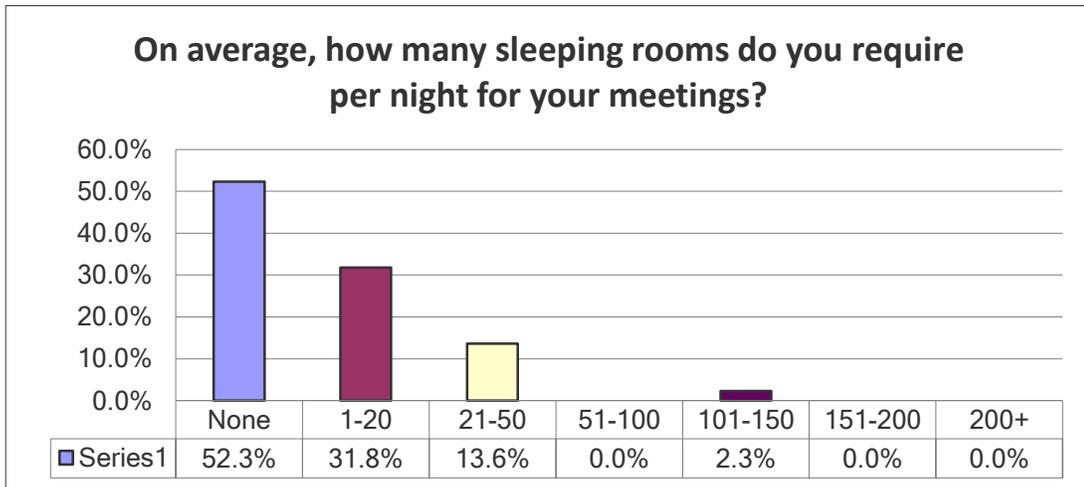


There are meetings booked in all months of the year. February, April, June, September and October are the highest demand months.

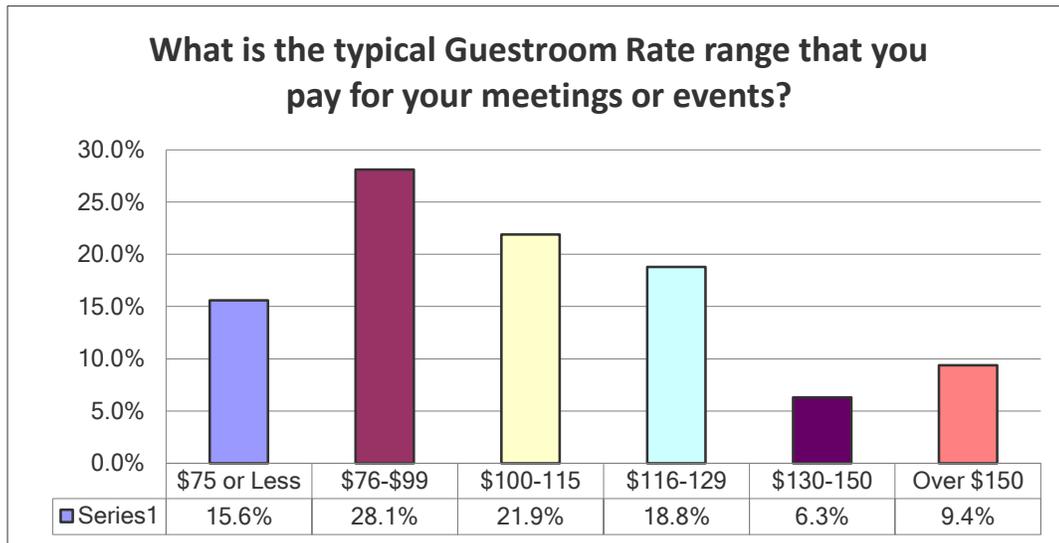


52.3% of respondents state they do not need any sleeping rooms. This supports the previous statement that established a majority of meetings are one-half to one day in length. 13.6% of respondents need up to 50 guest rooms, no one reported needing between 51-100 guest rooms,

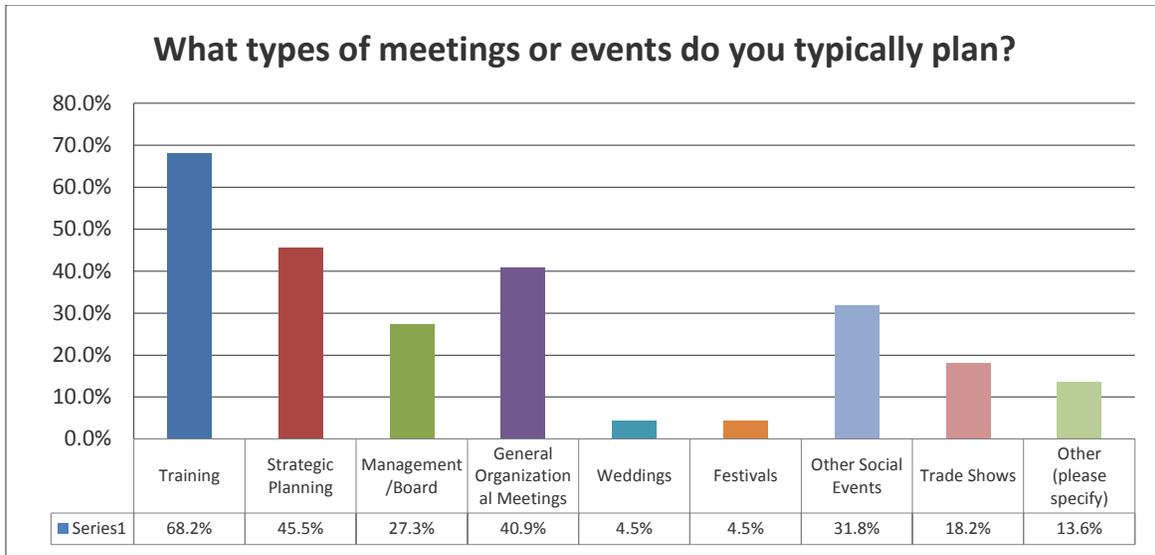
and a small number require greater than 100 guest rooms. This question indicates that 45.4% of the market will be attracted to and potentially use a hotel that has 100 rooms or less.



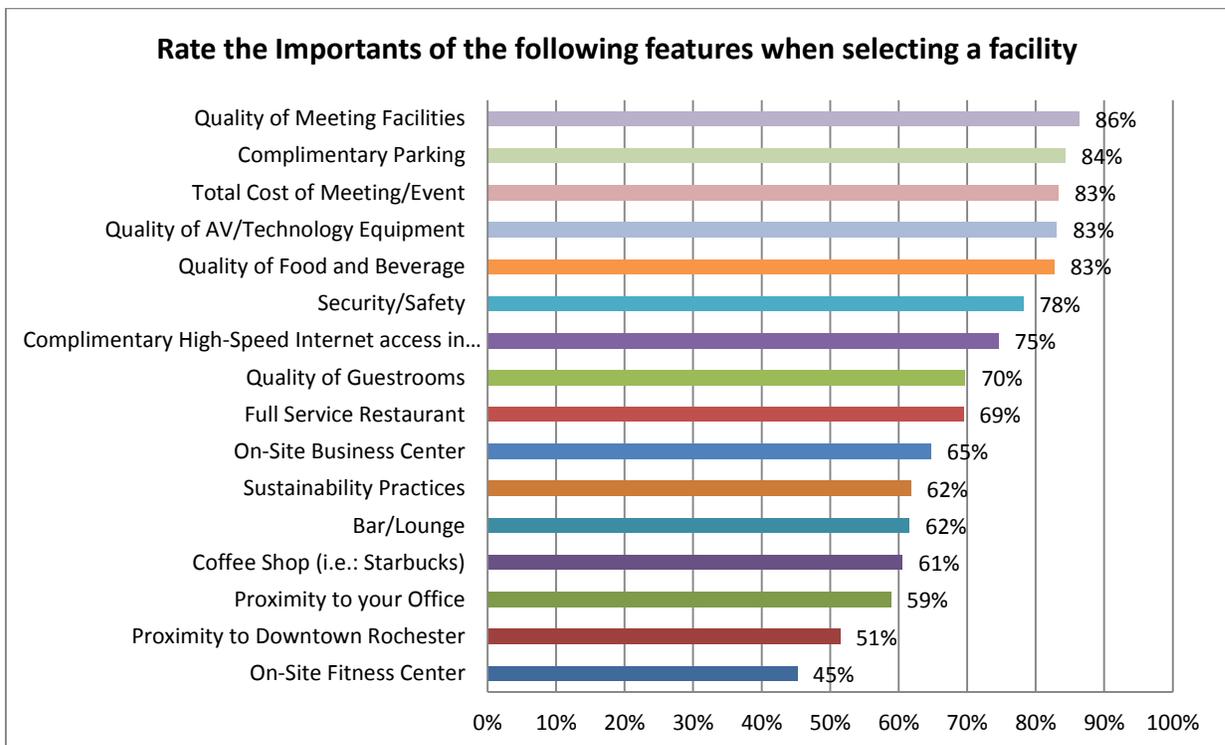
With regard to average guestroom rates, 43.7% of those who filled out surveys pay \$100 or less for sleeping rooms, 40.7% pay up to \$130, and 15.7% pay higher \$131+.



The types of meetings most commonly booked in this market area are training meetings, followed by strategic planning, general organizational meetings and management/board meeting. In this respect, Rochester is like the large majority of small to medium sized cities in the United States. In the category of “Other”, participants specifically mentioned sales and regional meetings, litigation meetings and educational programs. Other types of events are social and weekend gatherings including family reunions and weddings. Most meetings require a u-shape or boardroom set for fewer than 50 people or a meeting room with a classroom or banquet set for 100 to 250 or more.



When selecting a property, the factors that are most important to meeting planners are the quality of meeting space (86%); complimentary parking (84%); cost (83%); quality of technology (83%) and food and beverage (83%). Guest room quality is of less importance and we believe this is because 52.3% of respondents stated no need for guest rooms. These results support the belief that a limited service hotel with very good meeting space has a better chance of succeeding as opposed to a full service hotel. The limited service hotel design would include future expansion options.



When asked for their thoughts about a new conference center, most had very positive comments and saw a need for a new property, as hotel rooms and meeting space is quite limited. The general consensus is that a hotel/conference center would do a lot to support the economy.

Survey Additional Comments
For the right price, we would consider holding staff meetings and management meetings in an off-site meeting room
I would consider Rochester instead of Portsmouth Sheraton which is pricing itself out of our options. Free and adequate parking would be a big plus. Ease of access off of Rte. 16 would also be important. A spot with water feature/river would be nice for folks to get outside during stretch breaks.
We think it's great you are doing this survey, good market research!
We don't have any meetings or events where people would stay overnight.
Someone should check with Community Action Program for Strafford County
Please call me as I have a lot of clients in the hospitality business and can shed much insight.
We usually prefer going away from town for our meetings for a change of scenery
Many of my meetings are outside of NH or near airports
The variety of meeting and events that we host it was difficult to cover all the info with one check mark
Good survey
We have only had a couple of meetings in Rochester and used the Governors inn for a dinner and the hospital for education. It would be nice to facilitate everything in one location.
We are a membership organization, we hold meetings and events either at member properties, or where there is a critical mass of member companies
I think it would be good for Rochester, but my small nonprofit would not use it. Any facility we use is usually free or at a very low price.
I believe it will bring more business to the area
No need for hotel for my business. Meeting space/function space would potentially be utilized
Not sure how much need there is for this type of venue.
The organization I belong to would like to have more meeting space in the area. Portsmouth is very expensive, however it's a great change of pace from the north country when holding training sessions.
Sustainable Practices?????
Would love a mix of large and small conference facilities

### 5.3. Customer Interview Results

In order to achieve a better understanding of the client base for a potential hotel in Rochester, PHG conducted a detailed customer analysis. The purpose of this study was to gain the clients' professional insights in regards to the existing hotel choices, to determine their needs for meeting space and sleeping accommodations, and to hear their valuable feedback regarding the proposed hotel and conference center in Rochester. This analysis included an online survey as well as many personal interviews with potential clients. The customer survey was sent out to the Rochester Chamber of Commerce and many local companies and associations in and around the Rochester area. A total of 47 surveys and 30 interviews were completed. (See full survey results in Appendix IV).

In addition, research was done on companies in the local/regional market, all within a 125-mile radius of Rochester. Some of the cities included Portsmouth, Manchester, Concord, Nashua, and Dover. Other companies, outside of the New Hampshire borders, were also researched. These companies were located in Maine and Massachusetts and had close proximity to Rochester. We qualified many contacts that were interviewed by researching companies, statewide associations, and various civil and fraternal groups.

In all, over 400 organizations in New Hampshire and neighboring towns in Maine and Massachusetts were researched and/or solicited. Of these, extensive interviews were conducted with approximately 200 contacts. These contacts included directors, meeting planners, association presidents, and other employees who take part in selecting venues and/or hotel accommodations for meetings, trade shows, and events for their different companies and groups.

Through these interviews and research, our aim was to gain insight to potential client's perception of properties in the local and regional area and their preferences for meeting venues. In addition, we sought to gain information for the actual number of meetings, conferences, or events that different departments or organization plans on an annual basis. Results from this study concluded that approximately 35 companies or associations have qualified meetings or events that take place within a 125 mile radius of Rochester.

**Through these interviews and research, the following common assessments were made:**

**There is a lack of sufficient and adequate space in Rochester, New Hampshire.**

Of the clients we spoke with, many stressed that there are only a few choices in and outside the immediate area for larger scale meetings. Two of these venues are The Grappone Center and The Frank Jones Center. Clients mentioned that they are not very close and tend to be pricey. Some also mentioned they are outdated and hard to secure at times because they are the bigger venues in the area. Many local companies mentioned they would utilize a hotel in the Rochester area for day meetings. Currently, due to lack of corporate meeting space in Rochester, a number of companies interviewed utilize their own on-site space for smaller meetings. Many use various other spaces in the area including hotels, bigger restaurants in the area, as well as church halls. Some also use the University of New Hampshire for their meetings.

Health related companies in Rochester are able to utilize Frisbee Memorial's conference space for their meetings, free of charge. When we interviewed the meeting planner from Frisbee to ask which facilities she recommended to non-health related companies looking to hold a meeting in Rochester, she mentioned "The Oaks" first and the "Rochester Country Club" as a second choice. She confirmed the need for additional corporate meeting space for non-health related companies in Rochester.

It should be noted that many of the technology companies are moving towards "webinar" type meetings for their smaller employee meetings, but when they are entertaining client, an organization will look towards booking a space that is up to date with technology and that is difficult to find in the area.

**There is lack of sleeping rooms in the Rochester area for the social market.**

In the course of conducting our interviews, we learned there is lack of sleeping rooms for social weekend events and activities in the Rochester vicinity. These events held throughout the year include The Zombie Walk, Blues Festival, Free Comic Book Day, The Parrot Head Festival,

Phantom Gourmet, Rochester County Fair (10 day event), theater events at the Rochester Opera House as well as various sporting events such as soccer and baseball tournaments in the surrounding area. A new hotel and banquet facility would also be welcome to the area for weddings and reunions.

**There is a lack of quality/updated space and accommodations available in Rochester, NH.**

Many of the venue choices in the area tend to be outdated and lack state of the art technology. A number of clients stressed that a facility that could accommodate these types of meetings is greatly needed.

**The Rochester community desires a hotel conference center.**

There is an overall desire by the community members and businesses in the area for a hotel conference center facility. The community would be served by drawing people to the area for meetings, area events and festivals and would serve as an overflow option for other cities in the region. A new hotel with meeting space would be an asset to the community of Rochester. A new venue would help Rochester's economic development efforts to revive the city and bring revenue to the city.

During the interview process we received a number of similar responses from potential customers. The most frequent response was "We do not have any Guest Room or Meeting Needs". Companies that gave this response include:

- |                                        |                                  |
|----------------------------------------|----------------------------------|
| US Security Associate Inc              | Albany Engineered Composites     |
| Community Partners                     | Air Conditioning Heating &       |
| Bon-Ton                                | Refrigeration News               |
| Remco Maintenance LLC                  | Foster's Daily Democrat          |
| Dover Rehabilitation Center            | General Linen Co                 |
| Spaulding Composites Inc               | Janco Inc                        |
| Norway Plains Associates               | Community Partners-Bh & DSSC Inc |
| New Hampshire Farm Museum              | Developmental Services           |
| Phillips Academy - Robert S Peabody    | Kennebunk South Travel Plaza     |
| Museum of Archaeology                  | Riverridge                       |
| Granite Rose                           | Atkinson Resort & Country Club   |
| Electro Craft Inc                      | Northeast Office Furniture, Inc  |
| Middleton Building Supply Inc          | Yankee Thermal Imaging           |
| Northeast Credit Union                 | Corporate Chefs Inc              |
| Cedarland Outing Center                | Adp Retirement Services          |
| Northern Essex Community College       | Amcomm Wireless                  |
| Beverly Historical Society - Charles W | Barron Brothers Development Inc  |
| Galloupe Memorial Lib                  | Bayring Communications           |
| Cynosure Inc                           | Charter Trust Company            |
| Market Basket                          | CBRE/Portsmouth                  |
| Danvers Administrative Office          | CMD CPA LLC                      |
| Knights of Columbus                    | Coheco Equipment                 |
| Spaulding High School                  | Collins Sports Center            |

Executive Properties  
Gary Perkins Concrete  
H&R Block  
HRS Technologies  
Immanuel Insurance Agency  
Kalwall Corporation  
Kendall Leasing & Sales  
Compass Home Inspections  
Access Sports Medicine & Orthopedics

Your Vna  
Ecoast Sales Solutions  
Greenbriar Terrace Healthcare  
Subacute Patient RMS  
Naked Restaurants Inc  
Concord Community TV  
Sedgewood Commons  
NH Retail Association

The second most frequent response from organizations contacted was “We will not travel to Rochester”. We believe that part of the reason for this response was that, until a new facility is open, there is little need to travel to Rochester. If a hotel with meeting space is developed, some, if not many of these organizations, may change their view.

Greenpages Inc  
Associated Grocers Of New England Inc  
Community Services Council of NH  
Public Health Service  
Majilite Corporation  
Ashai America Inc  
Staples Technology Solutions  
Unifirst  
Windmill International Inc  
Amphenol Printed Circuits Inc  
Hello Direct Inc  
Worthen Industries  
Penn Well Publishing  
ICAD Inc  
Cambridge Isotope Labs  
Brewhouse Cafe & Grille  
SPX Communication Technology  
Ideal Tape Co  
Green Industries Distributors  
Nitco Handling Solutions  
William A Berry & Son Inc  
Atlantic Microwave Corporation  
Foss Manufacturing Co Inc  
Holistic Health  
Merrimack Valley Health Care  
Southern New Hampshire Health  
Hitchniner Manufacturing Co Inc  
Monadnock Community Hospital

Health and Safety Council of Strafford  
County  
Franklin Regional Hosp Rehabilitation  
Symmetry Medical  
New Hampshire State Police troop D  
barracks  
Webster Valve Inc  
Kamco Supply Corporation of Boston  
Anthem Blue Cross & Blue Shield  
Freudenberg-Nok  
Zuken USA Inc  
KRB Management  
Schott Solar Inc  
Pet Edge  
Alden Merrell Fine Desserts  
Woodbriar Of Wilmington  
Cambridge Mutual Fire Ins Co  
Auto Europe Inc  
Nordx  
Erie Scientific  
Converse Inc  
3M Touch System  
IHS Global Insight USA Inc  
HP Hood  
Harvey Building Products  
Port Resources Inc  
Lonza Biologics

The third most frequent response was “Uses on-site Meeting Space”. The following companies reported that they use in-house meeting space to accommodate their meetings. Some of these companies have sleeping room needs, but these needs are minimal:

GT Advanced Technologies Inc	Saint Anselm College
Spring Harbor Hospital	Chase Paymentech
I Heart Media	Northeast Rehabilitation Hospital
ATI Computer Training	Pat's Peak Ski School
Equallogic Inc	Crotched Mountain Rehabilitation Center
Flir Thermography	Inc
Laars	Summit Packaging Systems Inc
Lowell Health Care Center	Memorial Hospital
Atlantic Design Center of Eldredge Lumber	

APPENDIX III provides a full listing of all the organizations that were interviewed.

Following are the results of interviews of company and organization contacts during our research that hold meetings in the region.

#### **New Hampshire Employment Security**

The organization holds meetings once a month for 3-25 people with no guest rooms required. They hold what they call, “Rapid Response Meetings” two times a year for up to 200 people. This is a day-long meeting that does not require overnight accommodations. They would consider using a venue in Rochester.

#### **Homemakers Health Services**

The business holds mid- to small sized meetings once or twice a month. The number of attendees varies but is usually not more than 50 people and does not require guest room accommodations.

#### **Eversource**

A meeting planner with the company stated that they hold meetings twice a year for approximately 80 people with 20 overnight guest rooms needed. They typically use a centrally located venue for these meeting and like the Portsmouth area. In the event of a power outage or storm, they require hotel rooms for their workers. Rochester is a viable location for these emergency room needs.

Randy Perkins, Account Executive, stated that the company plans one training meeting a year at the Sheraton in Portsmouth. These meetings are a full day with breakfast or lunch for 25-50 people. They would use a hotel in Rochester for sleeping rooms in the event of a power outage.

#### **Adecco Employment**

The business would use a property in Rochester for their meetings. The contact explained how difficult it was to find a corporate facility in Rochester. They hold one to two meetings a year for 35 people with 20 overnights. These meetings are held at various times throughout the year.

### **ATI Computer**

The company utilizes their on-site conference space for their training programs. If they need to recommend a hotel for their clients, they have been suggesting hotels in Dover and would consider a hotel in Rochester due to proximity to their office.

### **Allstate Sherman Agency**

The agency holds monthly regional meetings. The meetings typically have 40 attendees and are two hours in length which includes either breakfast or lunch. They tend to use venues in Concord or Portsmouth but they would consider using a venue in Rochester.

### **Batchelder Sales Inc.**

The company is small and typically meets in Raleigh, NC for their events but is in need of meeting space in New Hampshire for various tradeshow throughout the year. Many of their vendors are located in the northeast and would prefer a local venue for these shows.

### **BAE Systems**

The company has two offices in Nashua, two in Merrimack and one in Hudson, New Hampshire. They hold quarterly half day meetings for approximately 300 people in Nashua since it is centrally located for their employees. The client stated they would not travel to Rochester. In addition to these quarterly meetings, they hold five day-long retreats for 25 people. They like to book destination properties for these meetings and do not consider Rochester to be a destination.

### **Bernier Insurance**

The company currently uses local restaurants for their employee meetings, which tend to be on a smaller scale. If they have a need for larger space their preference is Holy Rosary Credit Union (HRCU).

### **Citizen's Bank**

The bank has numerous locations across New Hampshire and surrounding states. They do hold regional meetings in and around the area throughout the year and the meeting planner expressed interest in Rochester if a facility was available. There are no overnight guest rooms connected with these meetings.

### **Cornerstone UNA Home Heath**

The organization uses Frisbie Memorial for larger meetings. They also have space onsite for their nurse training seminars. In the event that Frisbee was not available, they would entertain using a conference center in the Rochester area.

### **Creteau, Hackett, LaChapelle & Associates**

The organization holds quarterly full day "mini" seminars for 30-40 people including lunch. They would consider Rochester for these meetings. These meetings do not include overnight guest rooms.

### **Edward Jones**

The company holds quarterly regional meetings for approximately 25 people. These meetings are typically half day meetings that include either breakfast or lunch. They do not require overnight guest rooms.

### **Fastenal Company**

The company holds various meetings throughout the year for 15-100 people per meeting. These meetings are held in many locations throughout Massachusetts and New Hampshire. They are always interested in new facilities that are able to accommodate their needs.

### **GML Financial Advisory**

The organization was recently purchased by Franklin Savings Bank. GML holds larger meetings at The Oaks and prefer the golf course atmosphere. Smaller meetings are held in-house.

### **Hawkins Safety Equipment**

The company attends trade shows in the area including *The New Hampshire Good Roads Show* which is held at The New Hampshire Speedway every July. The client mentioned the need for indoor space for these types of trade shows. They do not plan them; however, their clients do attend and are asked for hotel recommendations during these events.

### **Iheart Media**

This company has on-site meeting space that can accommodate approximately 15-20 people. They would consider holding some of their larger meetings off-site if the right sized venue was available in Rochester.

### **Portsmouth Regional Hospital/Parker Medical Center**

The hospital has ample meeting space that is utilized by both PRH and PMC. They hold all their training meetings on site as well as their board meetings. They have one annual day meeting for their local physicians which is held in Portsmouth. They like an upscale atmosphere and location for this meeting.

### **Parker Medical Center**

In the past this facility held board retreats for 50-100 people with one to two overnight guest rooms. Due to budget cuts they no longer hold these retreats. Any other meetings are held in-house or locally in Derry.

### **Foss Manufacturing**

The company utilizes the Portsmouth and Ashworth locations for their conferences. They also like the upscale feeling of both locations. They expressed they would not consider Rochester for these conferences.

### **Cafua Management**

The company only holds one day meetings every other year for 100 people. They have traditionally utilized the Portsmouth area for their meetings.

### **Spring Harbor Hospital**

The hospital has conference space on-site which they use for their smaller meetings. The hospital holds one annual meeting in Maine for 200 people. They would not consider Rochester for this event.

### **Environmental Service Department**

The organization holds one or two small trade shows a year with 150 -200 attendees plus vendors. (The number of vendors varies from show to show.) ESD holds these meetings at the Grappone Center and the contact mentioned that due to lack of venues in the area there was not much competition and would appreciate other options. The event is full day with lunch and no overnight guest rooms required.

### **Unitel Corporation**

The board meets on-site and they have food catered in for these meetings. If hotel rooms are necessary, they typically use hotels in Exeter and Hampton, close to their office. In the event of a power outage or storm, they may have a need for and consider a hotel in Rochester for workers who come in from surrounding areas. They also require large parking areas for all the bucket trucks and vehicles.

### **The Granite Group**

The group holds three trade shows in the fall. They require approximately 10,000 square feet of ballroom space and pre-function space for the tradeshow booths. These shows are always on a Thursday evening 4-8PM. After the show they serve dinner to the entire group of approximately 400-600 people. During the day they have educational meetings, which require four breakout rooms that can accommodate 30-40 people classroom style. These meetings include breakfast or lunch for the attendees, usually about 100 people. Rochester would be a destination they would consider using.

### **Massachusetts High Tech Council**

The group holds monthly roundtable meetings for 15-10 people. In addition, they have an annual day meeting for 200 people. They typically need breakout rooms, boardrooms, and ballroom space. Their last event was held at the Marriott in Newton which was centrally located and had easy highway access. The planner expressed frustration in finding space that was upscale and state of the art.

### **Re-Max Integra**

The organization holds one to two regional day meetings a year for 150 people including lunch and an afternoon break. This September they have booked the Radisson in Nashua. Nashua is centrally located to many of their offices. They do not require overnight guest rooms.

### **Lydall Filtration Systems**

The company has customers visit their plant on a monthly basis. They have been recommending the Holiday Inn in Rochester and their corporate rate is \$119 for a standard room and \$139 for a suite. They have approximately 50 transient rooms per year.

### **Laars**

The company built their own training facility. They use the Holiday Inn in Rochester for approximately 1,000 guest rooms per year for visitors. The off-peak rate is \$79 per night and the peak rate is \$99 per night.

### **Mortgage Bankers and Broker Association of New Hampshire**

The association holds meetings throughout the year in various places including the Manchester Sheraton, The University of New Hampshire, The Frank Jones Center, and The Grappone Center. These associations are always looking for affordable meeting space to use for day meetings.

### **NH Bankers Association**

The association holds 25 full day meetings a year. These meeting include breakfast, lunch, and an afternoon break for 40 people. They prefer to have a separate space for lunch. Since they are located in Concord they typically utilize the Grappone Center for their meetings. The client mentioned, "They are the only meeting space in town". They would be interested in new meeting space and would consider holding meetings Rochester if the facility was able to meet their needs. They do not require overnight guest rooms.

### **NH Home Builders Association**

The association holds its board meetings on-site. However, there are nine associations under this entity that hold monthly meetings. These meetings are typically dinner meetings for 15-30 people with no overnights.

### **NH Hospital Association**

The association's board meetings are held on-site. They hold a large annual meeting for 300 people with overnight accommodations. They have booked the Omni Hotel in Mount Washington for the next three years. The contact did not think that Rochester would be a destination for their annual meetings but may consider the location for their one day meetings.

### **New Hampshire Medical Society**

Under this society are the following chapters:

- ▶ NH Chapter of American College of Cardiology

- ▶ NH Chapter of American College of Physicians
- ▶ NH Chapter of American College of Family Physicians
- ▶ NH Chapter of Emergency Physicians
- ▶ NH Pediatric Society
- ▶ NH Society of Anesthesiologists
- ▶ NH Society of Pathologists
- ▶ NH American College of Obstetricians & Gynecologists
- ▶ NH Orthopedic Society

This society has over 2000 combined members in nine chapters. The planners mentioned that they had an event in Rochester recently and had a hard time finding space. They held their meeting at Frisbee and dinner at the Governor’s Inn for 16-18 people. Rochester would be a good meeting location for many of these chapters.

**NH Dental Society**

The society is located in Concord, NH and recently held their larger annual conference at Church Landing in Meredith, NH. This meeting is for Continuing Education for 300 people. It requires 150 overnight guest rooms for one to two nights. They also plan two to three Continuing Education classes at the Grappone Center for full day meetings that require no overnight guest rooms.

**NH Land Surveyor Association**

The association holds three meetings a year for 40-75 people. They are held in the spring, Summer, and Fall. They would entertain using a venue in Rochester. Their annual Holiday Meeting has always been held at the Courtyard in Concord, NH for 150 people. Their association has 300 members.

**Human Resource Association of Greater Concord**

The association’s Board of Directors meets the morning of the first Wednesday of every month with approximately 15 people in attendance. They also hold a larger breakfast meeting the every third Thursday with approximately 60 people.

**Safran/Albany**

Currently both companies noted they need a property close to the Granite State Business Park. Combined, they require a potential 2,000 total room nights per year in the Dover market.

**Eastern Propane & Oil**

They have their own training facility for 35-50 persons. They currently use the Holiday Inn and Suites and estimate they have 1,000 room nights annually in Rochester.

#### **5.4. Demand Generators By Segment**

Potential business for the proposed subject hotel will fall into three main areas; group, transient and social. Through our research we have identified potential demand generators in each area.

##### **Group**

Many of the corporations interviewed hold regional meetings for their employees and clients and tend to range in size from 15-100 people. The majority of these meetings are held monthly and/or quarterly and do not require sleeping rooms. These day meetings are often held in random space or area homes due to the lack of meeting space in the Rochester area. The following corporations expressed interest in having a new meeting venue in the area for their meetings; NH Employment Security, Addeco Staffing, Allstate Insurance, Citizen's Bank, Edward Jones, Creteau, Hackett, LaChapelle and Associates. The Grappone Center and the Frank Jones Center were the two conference spaces mentioned by most when asked which facilities they book for their larger meetings that cannot be accommodated in house.

##### **Association**

The Associations in New Hampshire are also strong day-meeting candidates. For example, The New Hampshire Medical Society has over 2,000 members and indicated a lack of adequate meeting and banquet space for their meetings. Recently, the NH Chapter of Emergency Physicians held their meeting at Frisbee Memorial and had dinner at the Governors Inn. In addition, the NH Dental Society holds education classes at the Grappone Center, which are full-day meetings and no sleeping rooms required.

##### **Transient**

Transient business will be generated from local companies who tend to use properties in the immediate area for their visiting clientele or employees from other locations, as well as other individual travelers in the area. One contact explained that it would be beneficial to have some choices in the Rochester area as there is not very much to choose from. Other sources of transient rooms stem from the many events and weekend activities in the area such as festivals, New Hampshire Motor Speedway and events held in Loudon and sports tournaments in the area. These events range from very close proximity to Rochester and as far away as Manchester, NH.

##### **Social**

Through our survey and interviews, we have learned that the social market in Rochester would be made up of events such as sporting events, weddings, family reunions, galas, balls, hospital and festival fundraisers, fairs, Rochester Rotary and Chamber of Commerce events and holiday parties. These events range in size from 100-400+ persons. Currently, groups holding events in the Rochester area are using the following locations:

- ▶ The American Legion has a multi-function facility with a seating capacity of 600
- ▶ The Governor's Inn has 10 meeting spaces that include a large ballroom with a seating capacity of 175

- ▶ Rochester Opera House level seating area with a capacity of 200
- ▶ Rochester Country Club has a large room with seating capacity of 175

Choices outside of Strafford County include Mill Falls in Meredith, Portland Harbor Event and Conference Center, Marriott Wentworth by the Sea and a variety of hotels throughout the region; however a location closer to Rochester would be more desirable.

## **6. SUBJECT HOTEL DESIGN RECOMMENDATIONS**

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### **6.1. Overview**

#### **PROPOSED FACILITIES RECOMMENDATIONS**

We have reviewed the proposed development sites for the Subject Hotel to evaluate which option would provide the greatest advantage for a successful hotel project. Our comments about the market positioning and facility programming of the Subject Hotel are based on: 1) analysis of the competitive hotels within the market; 2) demand interviews; information received from meeting planners and potential customers; 3) online market survey; and 4) and the overall vision for economic development for Rochester.

#### **AREA REVIEW**

We found there is an existing and projected need for quality limited service hotel that include meeting and event space for small to mid-sized meetings and social events. While we were unable to uncover a significant number of larger meetings with hotel room requirements, we discovered a need in the market for a location to conduct smaller to mid-sized half and full day long meetings with minimal or no guestroom needs. A venue to conduct weekend social events is an opportunity for the market.

With this understanding, we believe the existing and future market can support a hybrid limited service, branded hotel with 100 guestrooms, 6,000 square feet of meeting and event space and a food and beverage program. A facility of this size would be able to support the needs of the market and attract a level of business required to be financially successful.

We evaluated the benefits of a traditional limited service hotel compared to a traditional full service hotel and conference center. The fundamental difference is the amount of focus the facility places on the meeting market. A typical limited service hotel will have little or no meeting space within the property. A traditional full service hotel has multi-purpose meeting space, designed with maximum flexibility to accommodate any and all types of events. A dedicated conference center environment is designed for the sole purpose of providing a successful meeting experience, with minimal focus on social and non-meeting events. We are recommending a hybrid limited service product due to the market needs for quality hotel rooms with a meeting room footprint that can support a variety of meetings and social events.

Although we are recommending a limited service hotel product, there are benefits in considering developing some of the elements of a conference center. Conference centers are designed specifically to provide an environment for efficient and effective business gatherings. They feature meeting space dedicated to meet the needs of small-to-medium size meetings, including state-of-the-art lighting, acoustical treatments, ergonomic seating, meeting technology equipment and other customized features. These design elements can be incorporated into the non-ballroom space and

provide an opportunity for the facility to distinctly separate and market itself against properties that are outside Strafford County.

A product that is offered in a conference center environment that the Subject Hotel should consider is a Day Meeting Package (DMP). The DMP is a package that includes the meeting room, standard audio visual equipment, continuous refreshment breaks and lunch for one price per person per day. The refreshment breaks can be shared with other conference attendees (but not a requirement) and all meals are served in a common restaurant. The meeting planner enjoys the benefits of ease of planning and knowing, upfront, the cost of the meeting without any hidden charges. The property experiences guaranteed revenues with higher profit margins due to efficiencies in the food and beverage production and servicing.

## **6.2. Design Fundamentals**

The ideal design and layout of a hybrid limited service hotel conference center finds the right balance between creating an infrastructure and layout that meets the needs of the market with the quality and amenities to match the culture of the community. The design will meet the ideal requirements of:

- ▶ An inviting front entrance that provides a warm and welcoming first impression on the quality of the facility and services offered;
- ▶ Comfortable accommodations that are designed for all types of guests from individual travelers to conference attendees to families;
- ▶ Amenities and services that complement the environment and support the guests throughout their stay, in addition to welcoming local guests to use the facility.

An exceptional limited service hotel and conference center considers the following features:

### **6.2.1. Lobby/Public Space**

The ability to present an environment that welcomes a guest, in addition to stating the quality and function of the environment, is created in the first moments a guest arrives at the property. From the cleanliness and efficiencies of the front drive, to the color schemes and furniture layout in the lobby is a critical design decision an owner and developer must make. The front entrance needs to be clear of obstacles and have the ability for a guest to pull up their vehicle under covering to protect them from the weather. It is important to have the ability to have two lanes so that multiple vehicles are able to drop off people and luggage simultaneously.

The lobby of a limited service hotel should create a “living room” type feel for the guests. Business travelers will meet potential clients in the lobby. Families will gather together prior to going into town. Meetings, conferences and social events may set up a registration table as guests are checking in. All of these activities and others will make a lobby full and lively and the environment should reflect these needs. Soft furniture should be properly spaced around the lobby. An area or two should be identified for potential registration for company information

tables to support conferences. Lighting should be ample enough to avoid dark spots or corners that could create uncomfortable interactions.

The Front Desk of a hotel has evolved over the year to be less of a counter and more open to provide the front desk agents with opportunities to come from behind the desk and better serve guest needs. Front desks with an open space in the middle (kiosk-type individual desks) are becoming popular designs to improve service and customer interaction. This also provides front desk agents the ability to monitor lobby and front entrance activities and support with maintaining a clean and orderly environment.

### **6.2.2. Guest Rooms**

The guest rooms, while still providing the typical furnishings one would see in most hotels, the design, quality and layout continues to change as brands respond to an ever changing level of sophistication of the guest. The guest has higher expectations than in the past and looks for bedding and other furnishings of at least the same quality as they would have at their home. Most hotel companies have branded a signature bed and bedding product for each of their line of hotels.

Basic Brand Standard:

- ▶ Flat panel televisions, remote-controlled television with a variety of premium channels
- ▶ Clock/alarm/sound system with MP3 dock
- ▶ Telephones with voicemail
- ▶ Wireless internet access
- ▶ Coffee maker and honor bar
- ▶ In-room safe
- ▶ Iron and ironing boards

Quality desk and bed-side lighting with additional outlets is important to support the business traveler catching up with work in the evening.

After bed quality, the second highest feature travelers look for is the ability to have a hot shower with proper water pressure. Guest bathrooms now feature quality showerheads with multiple spray options and include a walk-in shower and high-quality bath amenities with full size hairdryer. Laminated wood under-counters and shelving provide a quality look and feel. Some double-double rooms may be configured with a shower over tub, to accommodate families with small children.

### **6.2.3. Meeting and Event Space**

In the ideal limited service hotel with a conference center design, all of a property's conference and banquet rooms are grouped together in a single contiguous area that is designed around meetings. This layout will meet the ideal requirements of:

- ▶ Contiguous grouping of conference rooms which affords guests easy movement between conference rooms and allows staff and physical resources to be concentrated efficiently;
- ▶ Physical separation from the hotel's primary living and leisure areas, allowing the conference center to have its own sense of place;
- ▶ Shielded from high-traffic areas such as the front desk, restaurants and bars, and from outside distractions. This location minimizes the blurring of work time and space with personal time and space, and supports focus and productivity.

At the same time, the conference center should be readily accessible from the main entrance and main lobby, making it easy for guests to find and support social and other non-conference events that often draw large numbers of local participants. A secondary entrance that leads guests directly into the conference area is also favorable in the designing of the event space. To allow for the best possible service and support for meetings and other events, the conference center should be adjacent to the back-of-house service corridor, storage areas, and catering facilities.

For maximum productivity, meeting rooms should be free from extraneous noise from HVAC and mechanical systems, activities in adjacent rooms (including amplified sound), and traffic and conversations in the hallways. As a result, acoustics are critical in conference center design. Other important considerations include guest-friendly lighting controls (capable of supporting activities ranging from reading to projection), guest-friendly temperature controls for each room, comfortable and functional furniture, and a full range of meeting support technology (from traditional audio visual to computer-driven and Internet-based presentations).

#### **6.2.4. Food and Beverage**

Many decisions are necessary when determining the food and beverage program a property will offer to its guests. The profit margin for a food and beverage department can be very small, and when combined with the development cost of building a kitchen, can sway many developers away from creating a full service environment. However, a quality food and beverage program that has a full service kitchen can provide a competitive edge that will bring the additional occupancy and guest traffic through the facility to make it more successful.

While a restaurant's profit margin may be low, many operators look at a full service restaurant as an extension to the property's marketing plan. A property can offer dining options not only to in-house guests but also to the local market. Some of the marketing uses for the outlet include sales managers entertaining potential businesses, local guests sampling the quality of the food to determine potential catering functions and local business people entertaining clients visiting the city. Hotel restaurants will also typically have a lounge section where a light food menu can be served as well as offer a causal environment for people to gather after business hours.

When designed properly, the restaurant's kitchen will also support the banquet rooms and provide the food and beverage for private functions. The ability to provide in-house food and beverage service to the conferences increases the property's F&B profits due to higher efficiencies and margins when producing large banquets.

Another food and beverage outlet many properties consider is a coffee shop, either self-managed or leasing the space. The continual popularity of a quality cup of coffee is attractive to many guests, both in-house and local, and can provide incremental revenues for a property. Some properties combine the coffee shop with a small gift shop, while others have it either as a stand-alone operation or an off-shoot of the restaurant. Either of these options can provide a service that can draw additional traffic through the property.

#### **6.2.5. Back-of-the-House**

While back-of-the-house spaces do not directly provide revenue opportunities for a facility, they are necessary to support the services provided by the operation. Offices, back service hallways and employee break areas are locations that need to be considered to properly provide for the staff as they seek to best serve the guests. Two areas that are sometimes given limited thought and not designed well are storerooms and the loading dock.

##### **Storerooms:**

To ensure a property can be efficient and provide a safe environment for the staff, storage of supplies and equipment can be very important. One consideration that is typically overlooked is the importance of a storeroom for storage of banquet furniture and audio visual equipment. When the size and location for storing the equipment needed for banquets is not properly thought through, the equipment can be improperly stored (i.e.: a hallway or cramped office) and negatively impact the property's investment. Wide doorways and minimal turns in hallways between the storeroom and banquet rooms can help preserve the furniture from damage as well as limit staff injuries when moving the furniture.

Other storerooms have specific requirements to ensure safety and security of the items. Storerooms for cleaning and maintenance supplies require certain ventilation. Food and alcohol products should be in temperature controlled rooms with secured access controls.

##### **Loading Dock:**

At times, the loading dock location and access can be an afterthought for many properties. The dock has three primary purposes which would ideally be out of the view of the public eye:

- ▶ Receiving product for the property. Large trucks need to be able to deliver needed supplies such as food and beverage multiple times a week.
- ▶ Delivery and shipping of equipment, boxes and materials for conferences and trade shows. Many social events and programs require a facility to have a receiving location that can support a large volume of items required for their event.

- ▶ Trash and recycling material removal typically will occur near the dock and needs to be out of the guests' sight.

### **6.3. Subject Hotel Asset Program Recommendations**

During the development of the recommendations for the Hotel programming, we considered four components that would determine the quality and size of the facility. Each component took into consideration the current market supply, the needs of the various demand generators and the comments from the online survey and customer interviews.

#### **Full-Service verses Limited Service**

The first consideration we needed to determine was whether the market could support a full service hotel as desired by the City or be more in line with the rest of the market and develop a select or limited service product. In reviewing the comments from the meeting planners and results of the survey, the factors that are most important to meeting planners when selecting a property were the quality of meeting space (86%), total cost of meeting (83%), quality of food and beverage (83%), complimentary parking (84%) followed closely by quality of guestrooms (70%), quality of AV (83%) and, High Speed Internet Access (75%).

These comments and the online survey results support the belief that a limited service hotel with 6,000 of meeting space can be supported in this market. The combination of the quality of the facility's products and services informs us that the current supply products are not meeting the needs of the market. With the highest rated factor being quality of meeting space and quality food and beverage environment also near the top, the market is looking for more than basic hotel with meeting space. In addition, the Rochester residents and business people have a strong desire for a local property to support events without leaving the community. The addition of a quality hotel and meeting facility would provide a strong start to supporting the needs of Rochester. The facility would be viewed as an asset to the area and attract people to the Rochester to support the local economy and the city.

#### **Number of Guest Rooms**

The second factor considered was the number of guest rooms that would balance the needs of the market as well as being properly sized for the developer to be profitable. To determine the number of guest rooms, we looked at historical figures from the Smith Travel Report (STR) to understand the market's supply and demand trends since 2009, as well as the future projections for the market through 2020.

Over the past seven years, the market has experienced no change in the hotel room supply, which is directly tied to the region and being a seasonal market. Since 2009, no rooms have been added to the market, while the room demand has increased by 42,828 room nights. The market's current occupancy is 65.8%. The annual weekday occupancy percentages have stabilized at 62%, with the weekends staying relatively strong, around 79.95%.

With the market being consistent and the growth of Rochester and lack of quality facility in the area, we believe a 100 guest room hotel can be successful in competing in the market and obtaining its fair share. At 100 guest rooms, and with competitive rates, the property should be able to achieve a market index of greater of 101.3 by 2021.

### Meeting and Banquet Event Space

The next consideration was to determine the quantity of meeting and banquet event space that the market would support. As mentioned throughout this Study, the market is lacking in quality meeting space to host meetings and events. The ability to meet this need would greatly serve and support the community as it seeks to revitalize the City of Rochester.

Based on the review of the competitive set both within and outside Strafford County, along with the research into the meeting and event demand in the market, we recommend a total of 6,000 square feet of meeting and banquet space. This space would include a ballroom of 4,000 square feet that would be able to accommodate a meeting or banquet for over 260 people. The ballroom should also have direct access to a loading dock to support the larger events like tradeshow and social programs the property will host.

The remaining space is recommended to be divided between five meetings rooms designed to be between 500 to 200 square feet. These rooms should be designed with quality furnishings to support meetings and banquets for small to mid-sized conferences. We recommend some of the rooms be supplied with ergonomic chairs and tables and have built-in audio visual support to help the property effectively compete with resorts and hotels throughout the region. Following is a recommended space program for the subject hotel.

MEETING SPACE	CURRENT SPACE			ESTIMATED CAPACITIES BY SET UP TYPE					
	Room Name	Area	TYPE	TS	CR	CONF	HS	U-SHP	Rds/8
	Ballroom A+B	3000	LMR	200	120	NA	86	100	192
	Ballroom B+C	4000	LMR	267	160	NA	114	134	264
	Ballroom A+B+C	1000	MMR	67	40	34	28	34	64
	Ballroom A	1000	MMR	67	40	34	28	34	64
	Ballroom B	2000	LMR	133	80	NA	58	66	128
	Ballroom C	1000	MMR	67	40	34	28	34	64
	Meeting Room 1	500	LB	33	20	16	14	16	32
	Meeting Room 2	500	LB	33	20	16	14	16	32
	Meeting Room 3	400	LB	27	16	14	12	14	24
	Meeting Room 4	400	LB	27	16	14	12	14	24
	Meeting Room 5	200	SB	13	8	6	NA	NA	8
	<b>TOTAL</b>	<b>6000</b>	<b>0</b>	<b>400</b>	<b>240</b>	<b>134</b>	<b>166</b>	<b>194</b>	<b>376</b>
<b>Legend:</b> LMR = Large Meeting Room                      MMR = Medium Meeting Room LB = Large Breakout                              MB = Medium Breakout                      SB = Small Breakout									

### **Food and Beverage**

The final consideration in the facility's programming design was the food and beverage services for the property. As previously stated, quality of meeting space and food and beverage were rated as high factors for meeting planners when selecting a property. With this in mind, as well as the location being situated within Rochester's Industrial and Business Park region and positioned off Exit 15 of the Spaulding Turnpike, creating the right sized restaurant and bar with an attractive atmosphere would be of great value to the market and property.

We recommend that a restaurant and bar with a combined 50-75 total seats be created off the hotel lobby to support hotel guests and local consumers. The outlet should be well lit and have a layout that is conducive to business and social conversations. Depending on the brand selected, a breakfast buffet to service the hotel guests would be beneficial for ease and speed of service. One option some properties consider is leasing out the restaurant space to a chain restaurant company and have them support the food and beverage program throughout the property to include banquets and room service. This lowers the construction and operating costs for the developer but also ties the success of the facility to the strength of an outside partner.

## 7. ESTIMATED SUBJECT HOTEL PERFORMANCE

### 7.1. Projected Occupancy

Along with average rate, the occupancy levels achieved by a hotel are the foundation of the property's financial performance and market value. Most of a lodging facility's other revenue sources (such as food, beverage, and telephone income) are driven by the number of guests, and many expense levels also vary with occupancy. Consequently, a well-documented forecast of occupancy is essential.

To a certain degree, occupancy attainment can be manipulated by management. For example, hotel operators may choose to lower rates in an effort to maximize occupancy. Our forecasts reflect an operating strategy that we believe would be implemented by a competent hotel management team to achieve an optimal mix of occupancy and average rate.

#### 7.1.1. Group Rooms

The volumes of group rooms a property can generate are very much a function of the meeting and event space available. If, for example a hotel had one meeting room with a capacity of 25, then the hotel could not expect to book more than 25 guest rooms on any given night based on meeting room availability. In a perfect world, if the hotel were to maximize the use of that meeting room, it could logically book 25 rooms a night, 7 days a week, 365 days a year or 9,125 rooms a year. A 100 room hotel could then expect 25% of its total occupancy to be group generated.

In reality a successful hotel can expect to book group business 44 weeks a year (on average) and four days a week (on average). In the example above, 9,125 rooms drops to 4,400 guest rooms which would generate 12.1% of total occupancy; that is assuming every group required 25 guest rooms.

Total meeting space can be used as an estimate for group guest rooms available. The industry average for this calculation is one guest room for every 125 sq. ft. of net meeting space. The recommended 6,000 sq. ft. of meeting room space at the subject property will support the sale of 48 guest rooms (on average).

	2017	2018	2019	2020	2021
Net SF DEDICATED ("CC") Meeting Space	2,000	2,000	2,000	2,000	2,000
Total SF Flexible (NON-DEDICATED) Meeting Space	4,000	4,000	4,000	4,000	4,000
<b>TOTAL MEETING SPACE</b>	<b>6,000</b>	<b>6,000</b>	<b>6,000</b>	<b>6,000</b>	<b>6,000</b>
TOTAL Guestrooms Supported by Meeting Space = The lesser of (Dedicated space / 125) or Total Guest Rooms	48	48	48	48	48

When multiplied by 44 week a year and four days a week, the 48 guest rooms will yield a 100% utilization number that represents the maximum number of guest rooms a hotel can seek to book.

From this maximum goal, a utilization factor is then applied. This factor reduces the target group room booking goal. It is likely that a hotel will not achieve 100% success in booking group business in the 44 weeks available. We have used industry averages for the ramp up of a new hotel beginning at 50% utilization in year one and stabilizing at 70% utilization in year three. As a result, the number of group rooms that we anticipate being realized is 4,224 in year one and will grow to 5,914 in year three and beyond.

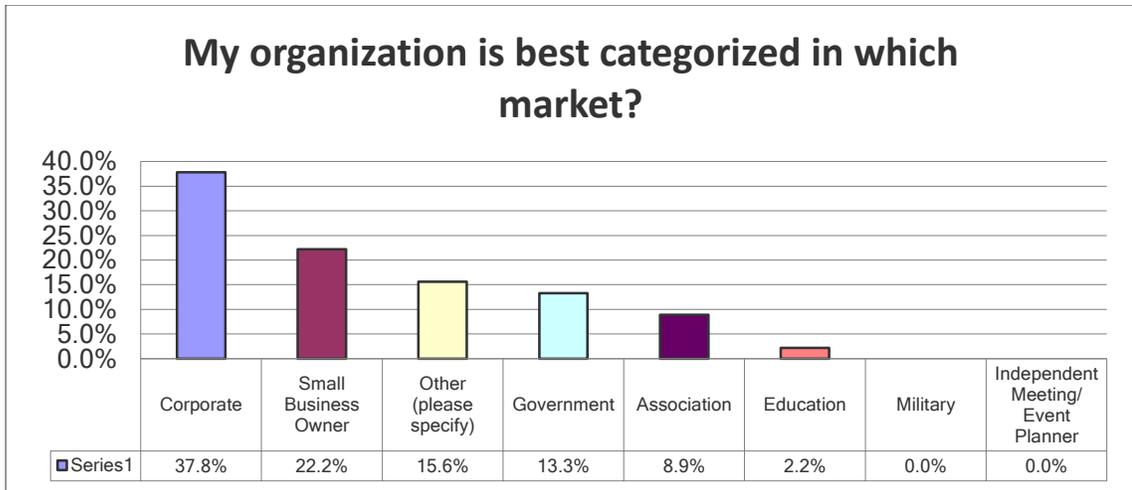
Projected Group Room VOLUMES					
Category	2017	2018	2019	2020	2021
Total Rooms Supported by Meeting Space	48	48	48	48	48
Available Weeks	44	44	44	44	44
Days per week	4.0	4.0	4.0	4.0	4.0
<b>100% Group Room Potential</b>	<b>8448</b>	<b>8448</b>	<b>8448</b>	<b>8448</b>	<b>8448</b>
Forecasted Utilization	50%	60%	70%	70%	70%
NON - Packaged Groups Rooms	4224	5069	5914	5914	5914
<b>TOTAL GROUP ROOM POTENTIAL</b>	<b>4224</b>	<b>5069</b>	<b>5914</b>	<b>5914</b>	<b>5914</b>

We are projecting opening year occupancy of 60.1%. If the property is constructed with 100 guest rooms, there will be an available inventory of 36,500 guest rooms (100 x 365). 60.1% occupancy will result in a sale of 22,224 guest rooms; 4,224 of which will be group driven. This group volume of 19.0% is very low by industry standards but we believe it is reasonable due to the very low group demand for guest rooms in the market.

The typical hotel sells a number of DMPs equal to about 30% of the total group rooms sold. In the case of the Subject Hotel, because it will lower then industry average group room nights, we have increased the number to 50%. As a result we are forecasting the following DMP sales volume.

Projected Day Meeting Package VOLUMES					
Category	2017	2018	2019	2020	2021
Day Meeting Packages	2112	2534	2957	2957	2957
<b>TOTAL CC PACKAGES (CMP/MMP/DMP)</b>	<b>2112</b>	<b>2534</b>	<b>2957</b>	<b>2957</b>	<b>2957</b>

The next important question to ask is how group rooms will be sold by market segment. Segmentation is important because of the rate tolerance of the various segments. Our survey revealed the mix of business in the group segment.



Using these percentages we were able to predict the volume of group business by segment.

Group	2017		2018		2019		2020		2021	
Corporate	1597	37.8%	1916	37.8%	2235	37.8%	2235	37.8%	2235	37.8%
Association	376	8.9%	451	8.9%	526	8.9%	526	8.9%	526	8.9%
SMERF	1690	40.0%	2028	40.0%	2365	40.0%	2365	40.0%	2365	40.0%
Government	562	13.3%	674	13.3%	787	13.3%	787	13.3%	787	13.3%
T&T	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
<b>Subtotal Group</b>	<b>4224</b>	<b>17.8%</b>	<b>5069</b>	<b>20.2%</b>	<b>5914</b>	<b>22.2%</b>	<b>5914</b>	<b>22.2%</b>	<b>5914</b>	<b>22.2%</b>

#### 7.1.2. Transient Rooms

We have defined the existing transient market segments as follow:

Market Segment	Description
<b>Commercial</b>	
Corporate/Local	Last Room Available-Negotiated at National and Local level-try to limit this category
Government	2 or 3 rates-County, State, Federal
Contract	Negotiated contract rates
<b>Leisure</b>	
Retail/Rack	Highest rated transient-everything that is not negotiated
Package	Catch-all, Romance to Brand Promotion, etc.
Brand	Brand driven online reservations
Non-Opaque	Online reservation where customer knows what they are booking
Opaque	Online reservation where customer DOES NOT know what they are booking

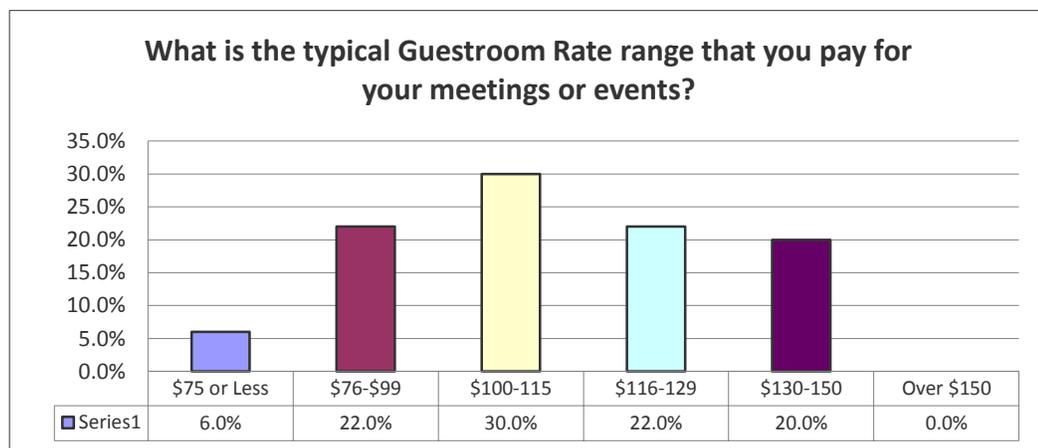
There is no hard data that outlines the mix of transient rooms in the Rochester MSA. Because of this we spread 18,000 transient room nights required to achieve opening year occupancy of 61% based on general industry experience. Again, the mix of business within the transient market will ultimately affect room revenue because each segment carries a different average rate.

ROOM VOLUMES	2017		2018		2019		2020		2021	
<b>Transient</b>										
Retail	2000	11.1%	2060	11.4%	2122	11.8%	2122	11.8%	2122	11.8%
Contract	3500	19.4%	3605	20.0%	3713	20.6%	3713	20.6%	3713	20.6%
Corporate/Local	2000	11.1%	2060	11.4%	2122	11.8%	2122	11.8%	2122	11.8%
Corporate NLRA	500	2.8%	515	2.9%	530	2.9%	530	2.9%	530	2.9%
Government	500	2.8%	515	2.9%	530	2.9%	530	2.9%	530	2.9%
Package	500	2.8%	515	2.9%	530	2.9%	530	2.9%	530	2.9%
Brand	2500	13.9%	2575	14.3%	2652	14.7%	2652	14.7%	2652	14.7%
Discount	3000	16.7%	3090	17.2%	3183	17.7%	3183	17.7%	3183	17.7%
Non-Opaque	2000	11.1%	2060	11.4%	2122	11.8%	2122	11.8%	2122	11.8%
Opaque	1500	8.3%	1545	8.6%	1591	8.8%	1591	8.8%	1591	8.8%
<b>Subtotal Transient</b>	<b>18000</b>	<b>81.0%</b>	<b>18540</b>	<b>78.5%</b>	<b>19096</b>	<b>76.4%</b>	<b>19096</b>	<b>76.4%</b>	<b>19096</b>	<b>76.4%</b>

## 7.2. Estimated Average Daily Rate

Average rates for Group business were based on survey results. Transient rates were based on call to local hotels.

ADR	2017		2018		2019		2020		2021	
<b>Transient</b>										
Retail	\$ 179.00		\$ 180.79		\$ 186.21		\$ 186.21		\$ 186.21	
Contract	\$ 139.00		\$ 140.39		\$ 144.60		\$ 144.60		\$ 144.60	
Corporate/Local	\$ 139.00		\$ 140.39		\$ 144.60		\$ 144.60		\$ 144.60	
Corporate NLRA	\$ 139.00		\$ 140.39		\$ 144.60		\$ 144.60		\$ 144.60	
Government	\$ 109.00		\$ 110.09		\$ 113.39		\$ 113.39		\$ 113.39	
Package	\$ 109.00		\$ 110.09		\$ 113.39		\$ 113.39		\$ 113.39	
Brand	\$ 109.00		\$ 110.09		\$ 113.39		\$ 113.39		\$ 113.39	
Discount	\$ 79.00		\$ 79.79		\$ 82.18		\$ 82.18		\$ 82.18	
Non-Opaque	\$ 79.00		\$ 79.79		\$ 82.18		\$ 82.18		\$ 82.18	
Opaque	\$ 69.00		\$ 69.69		\$ 71.78		\$ 71.78		\$ 71.78	
<b>Transient Average Rate</b>	<b>\$ 115.11</b>		<b>\$ 116.26</b>		<b>\$ 119.75</b>		<b>\$ 119.75</b>		<b>\$ 119.75</b>	
<b>Group</b>										
Corporate	\$ 149.00		\$ 150.49		\$ 155.00		\$ 155.00		\$ 155.00	
Association	\$ 129.00		\$ 130.29		\$ 134.20		\$ 134.20		\$ 134.20	
SMERF	\$ 115.00		\$ 116.15		\$ 119.63		\$ 119.63		\$ 119.63	
Government	\$ 109.00		\$ 110.09		\$ 113.39		\$ 113.39		\$ 113.39	
T&T	\$ 69.00		\$ 69.69		\$ 71.78		\$ 71.78		\$ 71.78	
<b>Group Average Rate</b>	<b>\$ 128.30</b>		<b>\$ 129.58</b>		<b>\$ 133.47</b>		<b>\$ 133.47</b>		<b>\$ 133.47</b>	
<b>Total Average Rate</b>	<b>\$ 117.62</b>		<b>\$ 119.12</b>		<b>\$ 122.99</b>		<b>\$ 122.99</b>		<b>\$ 122.99</b>	



### 7.3. Estimated Revenue and Financial Summary

#### 7.3.1. Departmental Revenues | Rooms

We calculated room revenue by multiplying the volumes and average rates as described above.

#### 7.3.2. Departmental Revenue | Food and Beverage

We estimate that the property will generate \$592K in F&B revenue in year one and this will grow \$718K in year three.

	2017	2018	2019	2020	2021
<b>F&amp;B Revenue Summary</b>					
Banquets	\$ 177,792	\$ 194,537	\$ 212,263	\$ 218,631	\$ 225,190
Catering	\$ 33,792	\$ 41,767	\$ 50,190	\$ 51,696	\$ 53,246
Package Breaks	\$ 46,464	\$ 55,757	\$ 65,050	\$ 65,050	\$ 65,050
Room Service	\$ 122,640	\$ 128,620	\$ 134,920	\$ 141,557	\$ 148,551
Rest #1	\$ 211,363	\$ 225,288	\$ 256,205	\$ 263,891	\$ 474,479
<b>TOTAL F&amp;B Revenue</b>	<b>\$ 592,051</b>	<b>\$ 645,968</b>	<b>\$ 718,627</b>	<b>\$ 740,824</b>	<b>\$ 966,516</b>

Food and beverage revenues are driven by a set of industry acceptable metrics and local market pricing as well as the influence of brand standards with respect to complimentary breakfast. In the case of the subject property we estimate that the restaurant will capture:

- ▶ 0.6 complimentary breakfast covers for every guest room sold
- ▶ 0.2 breakfast covers for every guest room sold (from paying guests)
- ▶ We assume the restaurant will be closed for lunch, but managing catering requirements
- ▶ 0.2 dinner covers for every guest room sold dinner

Room service assumes that there will be no breakfast or lunch volume, and twelve dinner covers per day.

Banquet and catering revenues drive off an average check metrics of \$8.00. This is decidedly conservative based on a lack of data for Rochester. Banquet revenue is the average check times the number of group rooms; catering is calculated by multiplying average catering check by total transient rooms.

	2017	2018	2019	2020	2021
TOTAL Transient Guestrooms	18000	18540	19096	19096	19096
TOTAL Guest Rooms	22224	23609	25010	25010	25010

#### Restaurant 1 - Covers Per Guest Room Sold

Guest Rooms Sold	18000	18540	19096	19096	19096
Breakfast (Comp)	0.60	0.60	0.60	0.60	0.60
Breakfast (Paid)	0.20	0.60	0.60	0.60	0.60
Lunch	-	-	-	-	-
Dinner	0.30	0.30	0.30	0.30	0.30

#### Room Service

Breakfast Covers per day	0	0	0	0	0
Lunch Covers per day	0	0	0	0	0
Dinner Covers per day	12	12	13	13	14
Room Service - Breakfast Covers	0	0	0	0	0
Room Service - Lunch Covers	0	0	0	0	0
Room Service - Dinner Covers	4380	4511	4647	4786	4930
Total Covers	4380	4511.4	4647	4786	4930

#### Catering Revenue per Guest Room

Banquets	\$ 8.00	\$ 8.24	\$ 8.49	\$ 8.74	\$ 9.00
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#### Banquet Revenue per Guest Room

Catering	\$ 8.00	\$ 8.24	\$ 8.49	\$ 8.74	\$ 9.00
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### 7.3.3. Departmental Revenue | Conference Services

Typical hotels do not have an independent department for conference services and it is unlikely that the future management company will create one. We have separated out this function as its own department to highlight the impact of Day Meeting Package revenue. As a result, our Food and Beverage revenues and expenses will appear slightly lower than industry norms. In addition, Sales and Marketing expenses will also be lower because we have isolated payroll that would typically fall within this department.

Determining the impact of the Day Meeting Package on financial performance begins with the creation of allocations. In a package, a fixed portion of the total income is reserved for operating departments. These departments are primarily Food & Beverage and Conference Services. The following allocation table projects a 2017-2021 total allocation package consistent with industry standards. Thereafter a straight 3% inflationary rate was applied to each allocation category. Service charge is assumed to be 22%.

Projected Package ALLOCATIONS					
Category	2017	2018	2019	2020	2021
Breakfast	\$ -	\$ -	\$ -	\$ -	\$ -
Lunch	\$ 18.00	\$ 18.54	\$ 19.10	\$ 19.67	\$ 20.26
Dinner	\$ -	\$ -	\$ -	\$ -	\$ -
Breaks	\$ 22.00	\$ 22.66	\$ 23.34	\$ 24.04	\$ 24.76
Service Charge	\$ 8.80	\$ 9.06	\$ 9.34	\$ 9.62	\$ 9.90
Technology	\$ 10.00	\$ 10.30	\$ 10.61	\$ 10.93	\$ 11.26
Meeting Room Rental	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Allocation</b>	<b>\$ 58.80</b>	<b>\$ 60.56</b>	<b>\$ 62.38</b>	<b>\$ 64.25</b>	<b>\$ 66.18</b>

Category	2017	2018	2019	2020	2021
<b>Allocations:</b>					
DMP Allocation	\$ 58.80	\$ 60.56	\$ 62.38	\$ 64.25	\$ 66.18
<b>Estimated Rates:</b>					
DMP	\$ 79.00	\$ 81.37	\$ 83.81	\$ 86.33	\$ 88.92
<b>Revenue Yields:</b>					
<b>Food &amp; Beverage Allocated Revenue</b>					
DMP	\$ 48.80	\$ 50.26	\$ 51.77	\$ 53.33	\$ 54.92
<b>CC Allocated Revenue</b>					
DMP	\$ 10.00	\$ 10.30	\$ 10.61	\$ 10.93	\$ 11.26
<b>CC Meeting Room Rental</b>					
DMP	\$ 20.20	\$ 20.81	\$ 21.43	\$ 22.07	\$ 22.74

Applying these allocations to the covers associated to coffee breaks and lunches helps to generate food and beverage revenue. The balance of revenue (selling price less allocations) is meeting room rental.

	2017	2018	2019	2020	2021
<b>Projected Package VOLUMES</b>					
<b>Forecasted Packages Sold</b>					
DMP's Sold	2112	2534	2957	2957	2957
<b>Total Packages Sold</b>	<b>2112</b>	<b>2534</b>	<b>2957</b>	<b>2957</b>	<b>2957</b>

	2017	2018	2019	2020	2021
<b>Projected Package Generated Revenues</b>					
<b>REVENUE</b>					
<b>Food &amp; Beverage Revenue</b>					
DMP	\$ 103,066	\$ 127,389	\$ 153,079	\$ 157,672	\$ 162,402
<b>SUBTOTAL - F&amp;B REVENUE</b>	<b>\$ 103,066</b>	<b>\$ 127,389</b>	<b>\$ 153,079</b>	<b>\$ 157,672</b>	<b>\$ 162,402</b>
<b>CC Allocated Revenue</b>					
DMP	\$ 21,120	\$ 26,104	\$ 31,369	\$ 32,310	\$ 33,279
<b>SUBTOTAL - ALLOCATED REVENUE</b>	<b>\$ 21,120</b>	<b>\$ 26,104</b>	<b>\$ 31,369</b>	<b>\$ 32,310</b>	<b>\$ 33,279</b>
<b>CC Meeting Room Rental Revenue</b>					
DMP	\$ 42,662	\$ 52,731	\$ 63,365	\$ 65,266	\$ 67,224
<b>SUBTOTAL MEETING ROOM RENTAL</b>	<b>\$ 42,662</b>	<b>\$ 52,731</b>	<b>\$ 63,365</b>	<b>\$ 65,266</b>	<b>\$ 67,224</b>
<b>TOTAL Package REVENUE</b>	<b>\$ 166,848</b>	<b>\$ 206,224</b>	<b>\$ 247,813</b>	<b>\$ 255,247</b>	<b>\$ 262,904</b>

As a stand-alone department, we captured operating expenses independently of other operating departments. The departmental pro forma is captured on the following page.

VOLUME	2017		2018		2019		2020		2021	
CMP	-		-		-		-		-	
MMP	-		-		-		-		-	
DMP	2,112		2,534		2,957		2,957		2,957	
<b>TOTAL PACKAGES</b>	<b>2,112</b>		<b>2,534</b>		<b>2,957</b>		<b>2,957</b>		<b>2,957</b>	
<b>TECHNOLOGY</b>										
Package Allocation	21,120	18.5%	26,104	18.6%	31,369	18.6%	32,310	18.7%	33,279	18.8%
Other Technology	19,008	16.7%	23,494	16.7%	28,232	16.8%	29,079	16.8%	29,951	16.9%
<b>TOTAL ALLOCATED PACKAGE REVENUE</b>	<b>40,128</b>	<b>35.2%</b>	<b>49,598</b>	<b>35.3%</b>	<b>59,601</b>	<b>35.4%</b>	<b>61,389</b>	<b>35.5%</b>	<b>63,230</b>	<b>35.6%</b>
<b>OTHER REVENUE</b>										
Meeting Room Rental   CMP/MMP	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Meeting Room Rental   DMP	42,662	37.4%	52,731	37.5%	63,365	37.6%	65,266	37.8%	67,224	37.9%
Meeting Room Rental   Other	6,399	5.6%	7,910	5.6%	9,505	5.6%	9,790	5.7%	10,084	5.7%
Concierge Services	5,280	4.6%	6,336	4.5%	7,392	4.4%	7,392	4.3%	7,392	4.2%
OTHER SERVICES	6,336	5.6%	7,603	5.4%	8,870	5.3%	8,870	5.1%	8,870	5.0%
SERVICE CHARGE	13,349	11.7%	16,407	11.7%	19,609	11.6%	20,090	11.6%	20,585	11.6%
<b>TOTAL OTHER REVENUE</b>	<b>74,027</b>	<b>64.8%</b>	<b>90,987</b>	<b>64.7%</b>	<b>108,741</b>	<b>64.6%</b>	<b>111,408</b>	<b>64.5%</b>	<b>114,155</b>	<b>64.4%</b>
<b>TOTAL REVENUE</b>	<b>114,155</b>		<b>140,585</b>		<b>168,341</b>		<b>172,796</b>		<b>177,385</b>	
<b>COST OF SALES</b>										
AUDIO VISUAL   Allocated	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
AUDIO VISUAL   a La Carte (30%)	5,702	30.0%	7,048	30.0%	8,470	30.0%	8,724	30.0%	8,985	30.0%
<b>TOTAL COST OF SALES</b>	<b>5,702</b>	<b>5.0%</b>	<b>7,048</b>	<b>5.0%</b>	<b>8,470</b>	<b>5.0%</b>	<b>8,724</b>	<b>5.0%</b>	<b>8,985</b>	<b>5.1%</b>
<b>OTHER EXPENSES</b>										
Payroll and Benefits	23,625	40.0%	24,806	17.6%	26,047	15.5%	27,349	15.8%	28,716	16.2%
Equipment and Related	5,310	4.7%	6,372	4.5%	7,434	4.4%	7,434	4.3%	7,434	4.2%
<b>TOTAL OTHER EXPENSES</b>	<b>28,935</b>	<b>25.3%</b>	<b>31,178</b>	<b>22.2%</b>	<b>33,480</b>	<b>19.9%</b>	<b>34,783</b>	<b>20.1%</b>	<b>36,150</b>	<b>20.4%</b>
<b>TOTAL EXPENSES</b>	<b>34,637</b>	<b>30.3%</b>	<b>38,226</b>	<b>27.2%</b>	<b>41,950</b>	<b>24.9%</b>	<b>43,506</b>	<b>25.2%</b>	<b>45,136</b>	<b>25.4%</b>
<b>DEPARTMENT PROFIT</b>	<b>79,518</b>	<b>69.7%</b>	<b>102,359</b>	<b>72.8%</b>	<b>126,391</b>	<b>75.1%</b>	<b>129,290</b>	<b>74.8%</b>	<b>132,250</b>	<b>74.6%</b>

### 7.3.4. Departmental Expenses

We arrived at operating expenses for each department taking a zero-based approach to building a budget. Our figures are calculated slightly differently than the industry norm because of the independent conference service department. The following tables outline the most currently available industry averages for properties similar to the subject property.

	2014 Dollars per Available Room	2014 Percent of Revenue	2014 Dollars per Occupied Room
<b>Departmental Costs and Expenses</b>			
Rooms	\$ 10,153	24.3%	\$ 36.28
Food and Beverage	5,604	65.5%	20.02
Other Operated Departments	988	63.5%	3.53
<b>Total Costs and Expenses</b>	<b>\$ 16,745</b>	<b>32.0%</b>	<b>\$ 59.83</b>

### 7.3.5. Undistributed Expenses

We took a similar approach to building our undistributed expenses. Please note that Sales and Marketing is slightly below industry average, again, because some of those expenses are captured in conference services.

	2014 Dollars per Available Room	2014 Percent of Revenue	2014 Dollars per Occupied Room
<b>Undistributed Operating Expenses</b>			
Administrative and General	\$ 4,219	8.1%	\$ 15.07
Sales and Marketing	6,180	11.8%	22.08
Property Operation and Maintenance	2,286	4.4%	8.17
Utility Costs	2,143	4.1%	7.66
Total Undistributed Expenses	<u>\$ 14,828</u>	<u>28.3%</u>	<u>\$ 52.98</u>

### 7.3.6. Management Fees and Reserves

We based our management fees on straight industry averages for limited service hotels with Food and Beverage.

	2014 Dollars per Available Room	2014 Percent of Revenue	2014 Dollars per Occupied Room
<b>Management Fees</b>	<u>\$ 1,414</u>	<u>2.7%</u>	<u>\$ 5.05</u>

### 7.3.7. Fixed Expenses

We based our fixed expenses fees on straight industry averages for limited service hotels with Food and Beverage.

	2014 Dollars per Available Room	2014 Percent of Revenue	2014 Dollars per Occupied Room
<b>Fixed Charges</b>			
Property Taxes and Other Municipal Charges	\$ 1,262	2.4%	\$ 4.51
Insurance	375	0.7%	1.34
Total Fixed Charges	<u>\$ 1,637</u>	<u>3.1%</u>	<u>\$ 5.85</u>
<b>Net Operating Income</b>	<u>\$ 17,782</u>	<u>33.9%</u>	<u>\$ 63.53</u>

### 7.3.8. 5-year Pro Forma

ROCHESTER SUBJECT																					
Statistics		2017				2018				2019				2020				2021			
Rooms		100				100				100				100				100			
Available Rooms		36,500				36,500				36,500				36,600				36,500			
Occupied Rooms		22,224				23,609				25,010				25,010				25,010			
OCC %		60.9%				64.7%				68.5%				68.3%				68.5%			
Average Rate		117.62				122.04				126.00				126.00				126.00			
RevPAR		71.62				78.94				86.34				86.10				86.34			
Revenue	Amount	Ratio	Per Room	POR	Amount	Ratio	Per Room	POR	Amount	Ratio	Per Room	POR	Amount	Ratio	Per Room	POR	Amount	Ratio	Per Room	POR	
Rooms	\$ 2,613,939	77.6%	\$ 26,139	\$ 117.62	\$ 2,812,332	77.0%	\$ 28,123	\$ 119.12	\$ 3,076,063	76.5%	\$ 30,761	\$ 122.99	\$ 3,076,063	75.8%	\$ 30,761	\$ 122.99	\$ 3,076,063	71.7%	\$ 30,761	\$ 122.99	
Food & Beverage	\$ 592,051	17.6%	\$ 5,921	\$ 26.64	\$ 645,968	17.7%	\$ 6,460	\$ 27.36	\$ 718,627	17.9%	\$ 7,186	\$ 28.73	\$ 740,824	18.3%	\$ 7,408	\$ 29.62	\$ 966,516	22.5%	\$ 9,665	\$ 38.65	
Conference Services	\$ 114,155	3.4%	\$ 1,142	\$ 5.14	\$ 140,585	3.8%	\$ 1,406	\$ 5.95	\$ 168,341	4.2%	\$ 1,683	\$ 6.73	\$ 172,796	4.3%	\$ 1,728	\$ 6.91	\$ 177,385	4.1%	\$ 1,774	\$ 7.09	
Minor Operating Depts.	\$ 50,000	1.5%	\$ 500	\$ 2.25	\$ 55,000	1.5%	\$ 550	\$ 2.33	\$ 60,500	1.5%	\$ 605	\$ 2.42	\$ 66,550	1.6%	\$ 666	\$ 30.00	\$ 73,205	1.7%	\$ 732	\$ 30.00	
<b>Total Revenue</b>	<b>\$ 3,370,145</b>	<b>100.0%</b>	<b>\$ 33,701</b>	<b>\$ 151.64</b>	<b>\$ 3,653,885</b>	<b>100.0%</b>	<b>\$ 36,539</b>	<b>\$ 154.77</b>	<b>\$ 4,023,531</b>	<b>100.0%</b>	<b>\$ 40,235</b>	<b>\$ 160.88</b>	<b>\$ 4,056,233</b>	<b>100.0%</b>	<b>\$ 40,562</b>	<b>\$ 162.19</b>	<b>\$ 4,293,168</b>	<b>100.0%</b>	<b>\$ 42,932</b>	<b>\$ 171.66</b>	
Departmental Expenses	Amount	Ratio	Per Room	POR	Amount	Ratio	Per Room	POR	Amount	Ratio	Per Room	POR	Amount	Ratio	Per Room	POR	Amount	Ratio	Per Room	POR	
Rooms	\$ 635,187	24.3%	\$ 6,352	\$ 28.58	\$ 674,960	24.0%	\$ 6,750	\$ 28.59	\$ 707,494	23.0%	\$ 7,075	\$ 28.29	\$ 707,494	23.0%	\$ 7,075	\$ 28.29	\$ 707,494	23.0%	\$ 7,075	\$ 28.29	
Food & Beverage	\$ 387,794	65.5%	\$ 3,878	\$ 17.45	\$ 423,109	65.5%	\$ 4,231	\$ 17.92	\$ 470,701	65.5%	\$ 4,707	\$ 18.82	\$ 485,240	65.5%	\$ 4,852	\$ 19.40	\$ 633,068	65.5%	\$ 6,331	\$ 25.31	
Conference Services	\$ 34,637	30.3%	\$ 346	\$ 1.56	\$ 38,226	27.2%	\$ 382	\$ 1.62	\$ 41,950	24.9%	\$ 420	\$ 1.68	\$ 43,506	25.2%	\$ 435	\$ 1.74	\$ 45,136	25.4%	\$ 451	\$ 1.80	
Minor Operating Depts.	\$ 31,750	63.5%	\$ 318	\$ 1.43	\$ 34,925	63.5%	\$ 349	\$ 1.48	\$ 38,418	63.5%	\$ 384	\$ 1.54	\$ 42,259	63.5%	\$ 423	\$ 1.69	\$ 46,485	63.5%	\$ 465	\$ 1.86	
<b>Total Expenses</b>	<b>\$ 1,089,368</b>	<b>32.3%</b>	<b>\$ 10,894</b>	<b>\$ 49.02</b>	<b>\$ 1,171,220</b>	<b>32.1%</b>	<b>\$ 11,712</b>	<b>\$ 49.61</b>	<b>\$ 1,258,563</b>	<b>31.3%</b>	<b>\$ 12,586</b>	<b>\$ 50.32</b>	<b>\$ 1,278,500</b>	<b>31.5%</b>	<b>\$ 12,785</b>	<b>\$ 51.12</b>	<b>\$ 1,432,183</b>	<b>33.4%</b>	<b>\$ 14,322</b>	<b>\$ 57.26</b>	
<b>Departmental Profit</b>	<b>\$ 2,280,777</b>	<b>67.7%</b>	<b>\$ 22,808</b>	<b>\$ 102.63</b>	<b>\$ 2,482,665</b>	<b>67.9%</b>	<b>\$ 24,827</b>	<b>\$ 105.16</b>	<b>\$ 2,764,969</b>	<b>68.7%</b>	<b>\$ 27,650</b>	<b>\$ 110.56</b>	<b>\$ 2,777,733</b>	<b>68.5%</b>	<b>\$ 27,777</b>	<b>\$ 111.07</b>	<b>\$ 2,860,986</b>	<b>66.6%</b>	<b>\$ 28,610</b>	<b>\$ 114.39</b>	
Undistributed Expenses	Amount	Ratio	Per Room	POR	Amount	Ratio	Per Room	POR	Amount	Ratio	Per Room	POR	Amount	Ratio	Per Room	POR	Amount	Ratio	Per Room	POR	
A&G	\$ 272,982	8.1%	\$ 2,730	\$ 12.28	\$ 295,965	8.1%	\$ 2,960	\$ 12.54	\$ 325,906	8.1%	\$ 3,259	\$ 13.03	\$ 328,555	8.1%	\$ 3,357	\$ 13.14	\$ 347,747	8.1%	\$ 3,458	\$ 13.90	
Sales & Marketing	\$ 397,677	11.8%	\$ 3,977	\$ 17.89	\$ 431,158	11.8%	\$ 4,312	\$ 18.26	\$ 474,777	11.8%	\$ 4,748	\$ 18.98	\$ 478,636	11.8%	\$ 4,890	\$ 19.14	\$ 506,594	11.8%	\$ 5,037	\$ 20.26	
Property Operations	\$ 148,286	4.4%	\$ 1,483	\$ 6.67	\$ 160,771	4.4%	\$ 1,608	\$ 6.81	\$ 177,035	4.4%	\$ 1,770	\$ 7.08	\$ 178,474	4.4%	\$ 1,823	\$ 7.14	\$ 188,899	4.4%	\$ 1,878	\$ 7.55	
Utilities	\$ 138,176	4.1%	\$ 1,382	\$ 6.22	\$ 149,809	4.1%	\$ 1,498	\$ 6.35	\$ 164,965	4.1%	\$ 1,650	\$ 6.60	\$ 166,306	4.1%	\$ 1,699	\$ 6.65	\$ 176,020	4.1%	\$ 1,575	\$ 7.04	
<b>Total Undistributed</b>	<b>\$ 957,121</b>	<b>28.4%</b>	<b>\$ 9,571</b>	<b>\$ 43.07</b>	<b>\$ 1,037,703</b>	<b>28.4%</b>	<b>\$ 10,377</b>	<b>\$ 43.95</b>	<b>\$ 1,142,683</b>	<b>28.4%</b>	<b>\$ 11,427</b>	<b>\$ 45.69</b>	<b>\$ 1,151,970</b>	<b>28.4%</b>	<b>\$ 11,520</b>	<b>\$ 46.06</b>	<b>\$ 1,219,260</b>	<b>28.4%</b>	<b>\$ 12,193</b>	<b>\$ 48.75</b>	
<b>Gross Operating Profit</b>	<b>\$ 1,323,656</b>	<b>39.3%</b>	<b>\$ 13,237</b>	<b>\$ 59.56</b>	<b>\$ 1,444,962</b>	<b>39.5%</b>	<b>\$ 14,450</b>	<b>\$ 61.20</b>	<b>\$ 1,622,286</b>	<b>40.3%</b>	<b>\$ 16,223</b>	<b>\$ 64.87</b>	<b>\$ 1,625,763</b>	<b>40.1%</b>	<b>\$ 16,258</b>	<b>\$ 65.01</b>	<b>\$ 1,641,726</b>	<b>38.2%</b>	<b>\$ 16,417</b>	<b>\$ 65.64</b>	
<b>Base Management Fee</b>	<b>\$ 90,994</b>	<b>2.7%</b>	<b>\$ 910</b>	<b>\$ 4.09</b>	<b>\$ 98,655</b>	<b>2.7%</b>	<b>\$ 987</b>	<b>\$ 4.18</b>	<b>\$ 108,635</b>	<b>2.7%</b>	<b>\$ 1,086</b>	<b>\$ 4.34</b>	<b>\$ 109,518</b>	<b>2.7%</b>	<b>\$ 1,095</b>	<b>\$ 4.38</b>	<b>\$ 115,916</b>	<b>2.7%</b>	<b>\$ 1,159</b>	<b>\$ 4.63</b>	
Fixed Expenses	Amount	Ratio	Per Room	POR	Amount	Ratio	Per Room	POR	Amount	Ratio	Per Room	POR	Amount	Ratio	Per Room	POR	Amount	Ratio	Per Room	POR	
Property Taxes	\$ 80,883	2.4%	\$ 809	\$ 3.64	\$ 87,693	2.4%	\$ 877	\$ 3.71	\$ 96,565	2.4%	\$ 966	\$ 3.86	\$ 97,350	2.4%	\$ 995	\$ 3.89	\$ 103,036	2.4%	\$ 1,024	\$ 4.12	
Insurance	\$ 23,591	0.7%	\$ 236	\$ 1.06	\$ 25,577	0.7%	\$ 256	\$ 1.08	\$ 28,165	0.7%	\$ 282	\$ 1.13	\$ 28,394	0.7%	\$ 500	\$ 1.14	\$ 30,052	0.7%	\$ 500	\$ 1.20	
<b>Total Undistributed</b>	<b>\$ 104,475</b>	<b>3.1%</b>	<b>\$ 1,045</b>	<b>\$ 4.70</b>	<b>\$ 113,270</b>	<b>3.1%</b>	<b>\$ 1,133</b>	<b>\$ 4.80</b>	<b>\$ 124,729</b>	<b>3.1%</b>	<b>\$ 1,247</b>	<b>\$ 4.99</b>	<b>\$ 125,743</b>	<b>3.1%</b>	<b>\$ 1,257</b>	<b>\$ 5.03</b>	<b>\$ 133,088</b>	<b>3.1%</b>	<b>\$ 1,331</b>	<b>\$ 5.32</b>	
<b>Net Operating Income</b>	<b>\$ 1,128,187</b>	<b>33.5%</b>	<b>\$ 11,282</b>	<b>\$ 50.76</b>	<b>\$ 1,233,036</b>	<b>33.7%</b>	<b>\$ 12,330</b>	<b>\$ 52.23</b>	<b>\$ 1,388,921</b>	<b>34.5%</b>	<b>\$ 13,889</b>	<b>\$ 55.54</b>	<b>\$ 1,390,502</b>	<b>34.3%</b>	<b>\$ 13,905</b>	<b>\$ 55.60</b>	<b>\$ 1,392,722</b>	<b>32.4%</b>	<b>\$ 13,927</b>	<b>\$ 55.69</b>	
<b>FF&amp;E Reserve</b>	<b>\$ 33,701</b>	<b>1.0%</b>	<b>\$ 337</b>	<b>\$ 1.52</b>	<b>\$ 73,078</b>	<b>2.0%</b>	<b>\$ 731</b>	<b>\$ 3.10</b>	<b>\$ 120,706</b>	<b>3.0%</b>	<b>\$ 1,207</b>	<b>\$ 4.83</b>	<b>\$ 121,687</b>	<b>3.0%</b>	<b>\$ 1,217</b>	<b>\$ 4.87</b>	<b>\$ 128,795</b>	<b>3.0%</b>	<b>\$ 1,288</b>	<b>\$ 5.15</b>	
<b>NOI after Reserve</b>	<b>\$ 1,094,486</b>	<b>32.5%</b>	<b>\$ 10,945</b>	<b>\$ 49.25</b>	<b>\$ 1,159,959</b>	<b>31.7%</b>	<b>\$ 11,600</b>	<b>\$ 49.13</b>	<b>\$ 1,268,215</b>	<b>31.5%</b>	<b>\$ 12,682</b>	<b>\$ 50.71</b>	<b>\$ 1,268,815</b>	<b>31.3%</b>	<b>\$ 12,688</b>	<b>\$ 50.73</b>	<b>\$ 1,263,927</b>	<b>29.4%</b>	<b>\$ 12,639</b>	<b>\$ 50.54</b>	

## 8. STATEMENT OF LIMITING CONDITIONS

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1. All information, financial operating statements, estimates, and opinions obtained from parties not employed by PHG are assumed to be true and correct. We can assume no liability resulting from misinformation.
2. The scope of our Study and the report does not include the possible impact of zoning or environmental regulations, licensing requirements, or other such matters unless they have been brought to our attention and are disclosed in the report.
3. None of this material may be reproduced in any form without our written permission, and the report cannot be disseminated to the public through advertising, public relations, news, sales, or other media.
4. We are not required to give testimony or attendance in court by reason of this analysis without previous arrangements, and only when our standard per diem fees and travel costs are paid prior to the appearance.
5. We take no responsibility for individual investment decisions made based on the opinions contained in this report.
6. We take no responsibility for any events or circumstances that take place subsequent to either the date of value or the date of our field inspection, whichever occurs first.
7. The quality of a lodging facility's on-site management has a direct effect on a property's economic viability and value. Any financial forecasts presented in this analysis assume responsible ownership and competent management. Any departure from this assumption may have a significant impact on the projected operating results and the value estimate. The estimated operating results presented in this report are based on an evaluation of the overall economy, and neither take into account nor make provision for the effect of any sharp rise or decline in local or national economic conditions. To the extent that wages and other operating expenses may advance during the economic life of the property, we expect that the prices of rooms, food, beverages, and services will be adjusted to at least offset those advances. We do not warrant that the estimates will be attained, but they have been prepared on the basis of information obtained during the course of this study and are intended to reflect the expectations of a typical hotel buyer.
8. Many of the figures presented in this report make calculations based on numbers carried out to three or more decimal places. In the interest of simplicity, most numbers have been rounded to the nearest tenth of a percent. Thus, these figures may be subject to small rounding errors.

9. It is agreed that our liability to the client is limited to the amount of the fees paid as liquidated damages. Our responsibility is limited to the client, and use of this report by third parties shall be solely at the risk of the client and/or third parties.
10. This Study was prepared by PHG, Inc. All opinions, recommendations, and conclusions expressed during the course of this assignment are rendered by the staff of PHG Inc. as employees, rather than as individuals.
11. The information and analyses provided to you in presentation and/or report form will be intended solely for your information and internal use, and for inclusion in the materials that you may provide to entities interested in financing and/or managing a hotel developed on the subject site. They should not be relied on for any other purpose. Otherwise, neither our presentation material, nor our report, nor any reference to PHG may be included or quoted in any offering circular, registration statement, prospectus, sales brochure, appraisal, loan agreement, or any other document without our specific, advance written consent. Such consent may require the completion of certain additional due diligence procedures that are not included within this report.